

Decision 04-04-041 April 22, 2004

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California Water Service Company (U 60 W) for an Order Authorizing it to increase Rates for Water Service in its Palos Verdes District.	Application 03-01-034 (Filed January 31, 2003)
Application of California Water Service Company (U 60 W) for an Order Authorizing it to Increase Rates for Water Service in its Oroville District.	Application 03-01-035 (Filed January 31, 2003)
Application of California Water Service Company (U 60 W) for an Order Authorizing it to Increase Rates for Water Service in its Selma District.	Application 03-01-036 (Filed January 31, 2003)
Application of California Water Service Company (U 60 W) for an Order Authorizing it to Increase Rates for Water Service in its Dominguez District.	Application 03-01-037 (Filed January 31, 2003)

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OPINION APPROVING SETTLEMENT

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OPINION APPROVING SETTLEMENT

I. Summary

The Commission approves a comprehensive settlement agreement entered into by California Water Service Company (CWS), the Office of Ratepayer Advocates (ORA), and all other parties covering all issues in CWS's general rate increase application for four districts: Palos Verdes District, Oroville District, Selma District, and Dominguez (South Bay) District.

Pursuant to this decision, CWS is authorized a general rate increase for test year 2003, 2004, and attrition years 2005 and 2006 for these four districts in the amounts and percentages shown in Table 1. This table also shows the bill increases (in one instance, a decrease) for average consumption in each district.

Table 1
Summary of Bill Increases & Revenue Requirement

District/Year	Bill Increase (Average consumption)		Settlement/Adopted (Thousands of \$)	
	\$	%	\$	%
<i>Dominguez:</i>				
2003	2.83	10.84	2,541.1	9.09
2004	0.22	0.76	231.6	0.75
2005 AY	n/c	n/c	230.6	0.7
2006 AY	n/c	n/c	230.6	0.7
<i>Oroville :</i>				
2003	-1.76	-5.08	-154.4	-6.12
2004	0.52	1.58	49.1	2.07
2005 attrition year	n/c	n/c	41.3	1.7
2006 attrition year	n/c	n/c	41.3	1.7
<i>Palos Verdes:</i>				
2003	3.18	4.69	1,179.9	5.04
2004	0.21	0.30	97.3	0.39
2005 attrition year	n/c	n/c	92.8	0.4
2006 attrition year	n/c	n/c	92.8	0.4
<i>Selma:</i>				
2003	0.06	0.24	6.4	0.28
2004	0.29	1.17	26.4	1.15
2005 attrition year	n/c	n/c	18.4	0.8
2006 attrition year	n/c	n/c	18.4	0.8

N/c=Not calculated

The agreed-upon rate of return is 8.6% for all years 2003 through 2006.

II. Background

This proceeding addresses CWS's general ratesetting requests as set forth in four applications filed with the Commission on January 31, 2003:

(a) Application (A.) 03-01-034, Palos Verdes District; (b) A.03-01-035, Oroville District; (c) A.03-01-036, Selma District; and (d) A.03-01-037, Dominguez (South Bay) District.

The Palos Verdes District, with approximately 24,000 connections, and the Dominguez District, with 33,000 connections, are located in the western Los Angeles metropolitan area. Palos Verdes' last general rate increase was authorized by D.99-05-018 in 1999. Dominguez's last general rate increase was authorized by D.00-10-027 in 2000.

The Oroville District, with 3500 connections, is located on the Feather River in northeastern California. Oroville's last general rate increase was authorized by D.98-07-090 in 1998. With 5,200 connections, the Selma District is located south of Fresno in California's Central Valley. Selma's last general rate increase was authorized by D.98-07-090 in 1998.

III. Procedural History

By Resolution ALJ 176-3107 (February 17, 2003), the Commission preliminarily determined the four applications to be ratesetting proceedings. The Commission expected the proceedings to go to hearing. Only ORA protested the applications during the protest period.

A. Prehearing Conferences

The initial prehearing conference (PHC) concerning the four applications was held by Administrative Law Judge (ALJ) John E. Thorson on April 4, 2003,

with CWS and ORA counsel and representatives in attendance. With no objection, the ALJ consolidated the four separate applications into one proceeding. During the PHC, the issues raised in the applications and protests were identified, a schedule was discussed, and other issues relating to the proceeding were addressed. Assigned Commissioner Geoffrey Brown's April 23, 2003 Scoping Ruling confirmed the categorization and need for hearing, defined the issues, established a schedule, and designated ALJ Thorson as the principal hearing officer and thus the presiding officer.

On August 4, 2003, the ALJ issued a ruling requiring the parties to meet in an effort to settle some or all of the issue. The ALJ also required the parties to submit a joint PHC statement by October 9, 2003, with a final PHC scheduled for October 20, 2003. The evidentiary hearings were scheduled for October 27-31, 2003.

B. Intervenors

On May 9, 2003, the Leona Valley Cherry Growers Association (Cherry Growers) moved to intervene in the proceeding. The ALJ granted the motion on June 2, 2003, subject to the condition that the Cherry Growers would only participate in those issues relevant to undetermined issues in a separate proceeding in which they were involved, A.02-11-021 (CWS/Antelope Valley District). On June 2, 2003, Jeffrey Young (Young) also petitioned to intervene in the proceeding. The ALJ granted Young's request on the condition that he could only participate in those issues relevant to undetermined matters in a separate proceeding in which he was involved, A.02-11-020 (CWS/Redwood Valley District). The Cherry Growers and Young were added as parties to the service list.

On November 20, 2003, the ALJ granted the motion of Michele Waterbury, representing the City of Oroville Parks Commission, to intervene as an interested party, but only as to issues pertaining to Oroville.

C. Interim Rate Increase

On April 25, 2003, CWS filed its motion to set the effective date of interim rates pursuant to Section 455.2 of the Public Utilities Code. A hearing on the motion was held before the ALJ on May 9, 2003. On September 30, 2003, the ALJ's proposed decision was mailed by the Commission. In the proposed decision, the ALJ recommended that CWS be authorized an interim rate increase for all districts based on the rate of inflation as compared to existing rates for each of the districts (the rate of inflation to be calculated using the most recent Consumer Price Index maintained by the U.S. Department of Labor). The Commission adopted the ALJ's proposed decision with the interim rate increase effective as of October 30, 2003. *See* Decision (D.) 03-10-072.

D. Public Comment

Public participation hearings (PPHs) were held in all four districts between August 5 and 12, 2003. Attendance was light at all venues. Selma was the most heavily attended with eight speakers including Mayor Dennis Lujan. Four persons spoke at the Palos Verdes PPH, one at the Torrance (Dominguez) PPH, and one at the afternoon PPH in Oroville. No one appeared for the evening PPH in Oroville. All the speakers opposed rate increases, at least in the amount proposed by CWS. Many speakers indicated they and other customers were on fixed incomes and would be detrimentally affected by the proposed increases.

Following the Palos Verdes PPH, the ALJ issued a ruling requiring CWS to file a report concerning a service-related complaint by certain customers and to

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provide additional history concerning rate increases to other customers. CWS complied with this ruling.

Additionally, a total of 21 letters or e-mails were sent to the Commission's Public Advisor about these applications (18 concerning Palos Verdes, one each concerning Dominguez and Oroville, and one unidentified). All of these communications opposed the applications.

E. Settlement Discussions

On September 19, 2003, ORA served its reports relating to the four districts and notified all parties, including the intervenors, that a settlement conference would be held on October 2, 2003. CWS served its rebuttal testimony on September 30, 2003.

CWS and ORA held settlement conferences between October 2 and 8, 2003. Pursuant to the *Rules of Procedure and Practice* 51.1(b), all parties, including all intervenors at that time, were provided written notice of the conference. They were later notified that they could also participate by telephone. The Cherry Growers participated by phone in some of the settlement discussions, and Young was orally informed about the status of the discussions.

As a result of the extensive negotiations between the parties during four days of discussions, CWS and ORA reached a settlement as to all of the issues in this proceeding. *See* Settlement (Oct. 23, 2003), Attachment A (also Hearing Exhibit No. 23, and Addendum to Settlement (Oct. 27, 2003), Attachment B (also Hearing Exhibit No. 25). Also, the intervenors (except for Waterbury who had not yet sought to intervene) agreed to the settlement with respect to the issues on which they were authorized to participate. CWS and ORA filed a joint motion on October 23, 2003, to approve the settlement.

On November 24, 2003, a hearing was held to present the settlement to the ALJ. Because of some uncertainty about the intervenors' position on the proposed settlement, an evidentiary hearing, pursuant to Rule 51.6, was held on

November 24, 2003, to allow the settling parties to present evidence (including a Joint Comparison Exhibit, Hearing Exhibit No. 25) on the proposed settlement and to allow cross-examination. Intervenor Waterbury participated in the hearing and offered evidence concerning Oroville's rates as compared to surrounding communities, the history of rate increases in Oroville, the city's declining economic condition, and related matters. Upon questioning by the ALJ, Waterbury indicated that she agreed with the proposed settlement since it results in a rate reduction for Oroville, although she also supported a greater reduction if the evidence justified it. Waterbury did not oppose the settlement. Transcript at 280:12 to 281:9 (Nov. 21, 2003).

The record was left open for the submission, by stipulation, of other exhibits. The record was closed and the matter was submitted on December 12, 2003.

IV. Settlement Criteria

With Waterbury's concurrence with the proposed settlement, the agreement is properly characterized as an uncontested "all-party" settlement. In such cases, the Commission applies two complimentary standards to evaluate the proposed agreement. The first standard, set forth in Rule 51.1(e) and applicable to both contested and uncontested agreements, requires that the "settlement is reasonable in light of the whole record, consistent with law, and in the public interest." The second standard is articulated in *San Diego Gas & Electric*, 46 CPUC 2d 538 (1992), and applies to all-party settlements. As a precondition to approving such a settlement, the Commission must be satisfied that:

- a. The proposed all-party settlement commands the unanimous sponsorship of all active parties to the proceeding.

- b. The sponsoring parties are fairly representative of the affected interests.
- c. No settlement term contravenes statutory provisions or prior Commission decisions.
- d. Settlement documentation provides the Commission with sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.

The proposed settlement was primarily negotiated between CWS and ORA. Intervenor Cherry Growers and Young were notified of settlement discussions and provided an opportunity to participate. These intervenors subsequently signed the Settlement, Attachment A. Although the Settlement Addendum, Attachment B, was not signed by these intervenors, their consent was unnecessary since this document discusses matters beyond their permitted scope of intervention.

Waterbury had not sought to intervene when negotiations were underway, so she did not have an opportunity to participate in those discussions. After she was allowed to intervene, she did participate in the evidentiary hearing on the proposed settlement. Most of her evidence concerned historic rate treatment of the Oroville District and the general economic conditions of the area; her evidence did not address the specific terms of the proposed settlement. Waterbury indicated her agreement with the proposed settlement although she qualified her endorsement with a preference that the proposed rate reduction be even lower. Importantly, Waterbury did not file written opposition to the proposed settlement or oppose it at the hearing. We interpret Waterbury's statements at the evidentiary hearing to be a generalized effort to improve the Commission's understanding of the ratemaking history in Oroville and the importance of low rates for the declining economy. Given her agreement with

the specific settlement, we conclude that we have been presented with an all-party settlement sponsored by all active parties.

The applicant was represented by its officers and counsel in the proceeding. ORA, whose charge is to represent ratepayer interests, was actively involved in all phases of the proceeding. After filing its protests to all four applications, ORA prepared and served reports covering all aspects of CWS's results of operations, cost of capital, and general office for the various districts. ORA representatives attended several of the PPHs. ORA had counsel representing it through extensive negotiations and at the evidentiary hearing. ORA counsel and staff were also responsive to inquiries from individual ratepayers. The intervenors are ratepayers whose interests are allied with ORA. The exhibits proffered by CWS, ORA, and Waterbury all have been admitted into evidence. Thus, the sponsoring parties for the settlement are fairly representative of the affected interests, and they have been active advocates in this proceeding.

The proposed settlement, including the addendum, sets forth the parties' initial positions and final agreement on major issues, supporting tables, and a joint comparison exhibit. Pub. Util. Code § 454 provides that no public utility shall change any rate except upon a showing before the Commission and a finding by the Commission that the new rate is justified. In their settlement documents and a joint comparison exhibit, the parties have explained their initial positions and what adjustments have been made to arrive at the summaries of earning and revenue requirements set forth in the settlement. The resulting rates will produce necessary and sufficient revenues for each of the test and attrition years. We find that the rates and the supporting revenue requirements are justified by the parties' showing and are in the interest of ratepayers and the

public. Also, as indicated by the following discussion of major settlement provisions, the settlement documentation is sufficient for the Commission to discharge its future regulatory obligations with respect to the parties and their interest.

The proposed settlement satisfies the Commission's requirements for an all-party settlement under Rule 51 and the *San Diego Gas & Electric* decision. The settlement, as to each of the four districts, is reasonable in consideration of the whole record, consistent with the law, and in the public interest.

V. Settlement Overview

The parties' proposed settlement is set forth in Attachments A and B to this decision. These documents, as well as the Joint Comparison Exhibit, Hearing Exhibit No. 25, set forth the original areas of major disagreement and the resolution of these issues. In reviewing the settlement of these major issues, we organize our discussion according to the three major components of cost-based ratemaking: net operating income, rate base, and rate of return.

A. Net Operating Income

Net operating income is gross operating revenue less operating and maintenance expenses, depreciation, income taxes, and other operating taxes. For each of the districts, the parties agreed on the net operating income for test years 2003 and 2004, as set forth in Table 2. More detailed information is provided in Attachment D: Appendix A (Summary of Earnings & Rates of Return). The following were the disputed major issues in calculating net operating income.

Table 2
Settlement Provisions for Net Operating Income
(Thousands of \$)

District/TY	ORA	Settlement	CWS
<i>Dominguez:</i>			
2003	4,114.6	4,257.5	5,234.2
2004	4,037.6	4,339.8	5,255.8
<i>Oroville:</i>			
2003	439.3	466.3	568.1
2004	435.9	467.1	617.8
<i>Palos Verdes:</i>			
2003	2,010.7	2,139.1	2,452.6
2004	1,991.7	2,156.0	3,022.5
<i>Selma:</i>			
2003	417.6	454.5	504.0
2004	425.4	472.0	635.3

1. Service Connections

Many of the differences between CWS and ORA resulted from different periods of record with ORA having more recent information since its testimony had been prepared later. Projected customer growth is an example of this type of disagreement. The parties resolved most of these “period of record” differences by agreeing to use ORA’s data. *See Attachment D: Appendices B-E (Adopted Quantities).*

2. Water Sales

CWS and ORA originally used different methodology to forecast water sales. Despite these different approaches, the parties worked together to correct erroneous data and consider specific developments in each district to reach agreements on projected water sales in all four districts. *See Attachment D: Appendices B-E (Adopted Quantities).*

3. Dominguez Water Supply

As discussed later in this decision, Part V(B)(3), CWS has identified five capital projects for the Dominguez District for consideration by advice letter. Two of these projects involve new wells; the other three projects involve water treatment activities at existing wells so as to allow CWS to again use these sources of water.

Once these projects are constructed, they will change both the mix of water sources and the cost of water for the district. Until the projects are constructed, however, the parties agreed that the existing 2003 production mix should be used in 2004 for cost-of-water calculations.

When any of these new or treated wells are put into service, the parties agreed that the advice letter for that project request a change in expenses due to the new aggregate pumping capacity of wells in the system. This change will be based on increased pumping cost, decreased purchased water, and decreased credit for leases of water rights.

4. Operating, Maintenance, Administrative & General Expenses

Once again, many of the differences in the parties' positions concerning these expenses resulted from using different periods of record, and these problems were resolved by using more recent information. Another area of disagreement concerned rent for the Dominguez District office. As a result of the 2000 merger between the CWS Group and the Dominguez Services Corporation, CWS transferred property no longer used in Dominguez operations (Relinquished Properties) with an affiliate which, in turn, exchanged the property with a third party for the construction of a "build-to-suit" office center apparently now rented by CWS. The question is the amount of rent to be paid for the new offices.

To resolve this issue for purposes of this proceeding, the parties agreed that the Dominguez ratepayers should continue to pay the revenue requirement associated with Dominguez's pre-merger headquarters. CWS will report the sales of Relinquished Properties pursuant to D.03-09-021 for a Commission determination of whether the ratepayers share in the sales proceedings. The results of the Commission's decision will be factored into the next Dominguez general rate case.

5. General Office Expenses

The Commission's recent decision (D.03-09-021) addressed CWS's general office expenses and related issues. In this settlement, the parties agreed on how to resolve some of the residual issues. Also, other general office issues were resolved by agreeing to use ORA's more recent financial information.

Some of the general office issues included the following:

- a. Positions authorized in D.03-09-021. The parties agreed that, for any position authorized in D.03-09-021 and filled during 2002, the base payroll would be annualized. For authorized positions not filled at the time of the settlement, they will be shown as additions to 2004.
- b. Manager and analyst positions. The parties agreed that expenses for the following positions, filled during 2002, would be annualized in the base 2002 payroll: QA Manager, DBA Manager, Operations Manager, and Financial Reporting Analyst.
- c. Financial analyst. The parties agreed to allocate 90% of the financial analyst's cost to the general office.
- d. LIMS administrator. The parties agreed to allocate 75% of the LIMS administrator's cost to the general office.
- e. Main-flushing program. The parties agreed to the cost of establishing a 5-person main-flushing team during 2004 to undertake a proactive main line flushing program to

maintain water quality, especially when the composition of water varies due to changing sources.

- f. Additional payroll. The parties agreed on an additional \$125,000 for payroll during 2004 to be used for personnel best meeting CWS's needs in fulfilling its obligations to its customers.
- g. Savings from previously approved projects. After initial disagreement, the parties eventually agreed on savings or reductions in general office payroll to offset any rate increase due to the completion of a series of previously approved general office projects (7270, 7873, 7519, 7553, and 7556). The total of these reductions is \$100,600, to be deducted from the 2004 general office payroll.
- h. Water quality services. Due to accounting changes, the parties agreed that 2002 was the only year that could be used to estimate unregulated credits for water quality services for test years 2003 and 2004.
- i. Regulatory expenses. The parties agreed to use \$191,000 (2002) as the base for regulatory commission expenses; this figure escalates for inflation in the test years.
- j. Insurance. The parties agreed to a correction concerning merger-related savings in property insurance.

6. General Office Allocation

The parties initially disagreed about the allocation of general office expenses and rate base to the Dominguez District. Subsequent to the filings in this proceeding, the Commission adopted D.03-10-005 (CWS/Antelope Valley & Kern River Valley Districts) approving a modified four-factor analysis for allocating general office expenses in other CWS districts. D.03-10-005 approved the allocation of general office expenses to the districts involved in this proceeding as follows: Dominguez (9.85%), Palos Verdes (7.06%), Oroville (1.15%), and Selma (1.11%). The parties agreed, that to be consistent with D.03-10-005, they would use the same method, which results in a 9.85%

allocation of general office expenses to the Dominguez District. *See also* ¶ 4.0, Addendum to Settlement ¶ 4.0, Attachment B.

B. Rate Base

1. General Office Rate Base

CWS had sought \$7.2 million for general office capital budget improvements during 2003 (including some deferrals from 2002). ORA had countered with a recommendation of \$3.9 million. Because the settlement was reached so late in 2003, the parties agreed to capital expenditures of \$4.5 million for that year (\$2.7 million of which had been expended on capital projects through August). The parties also agreed on general office capital budget improvements during 2004 of \$4,966,000 (including \$1.3 million for the PeopleSoft CIS project 9561).

The parties also agreed to use the same allocation formula discussed in Part V(A)(6), above, for allocation general office rate base among the four districts involved in this proceeding.

2. District Rate Base

The parties disagreed about certain capital expenses, especially those involving the preparation of water supply and facilities master plans (WSMP) for each of the four districts. The parties agreed that WSMP are more critical for some districts than others and that some of the plans can be prepared by CWS's in-house personnel. Specifically, the parties agreed on the recovery of costs for the preparation of the Dominguez WSMP. CWS, however, will prepare in-house WSMPs for Selma and Oroville without adding to the cost to the test year budgets.

ORA had initially opposed several capital projects in the Selma District, some of which were built during 2002. After receiving additional information during the negotiations, ORA agreed to the recovery of expenditures for water

mains (Project 7011; a 2003 project; capped at \$290,000), meter replacement, 12” main replacement (completed in 2002), and an additional main replacement (Project 7045; a 2004 project of \$69,000).

The parties also agreed that certain capital improvements (\$50,000 for each district) in the Dominguez and Palos Verdes Districts are necessary as the result of vulnerability assessments conducted pursuant to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. Vulnerability assessments have not been completed for Selma and Orville, and capital projects associated with those reviews will be considered in a future general rate case.

3. Capital Projects Deferred to Advice Letter Filings

CWS and ORA agreed that because of engineering and cost uncertainties for other capital projects, it is appropriate to authorize 15 of them now but defer decisions about cost-recovery to advice letter filings. These 15 projects are described in sections 2.40 to 2.48 of the Settlement, Attachment A; and they are summarized in Table 3.

Table 3
Advice Letter Projects

Project	Description	Estimated Cost
<i>Dominguez:</i>		
New well at Station 203	Drill, develop, and equip a new well to enable district to better utilize its groundwater rights in the central and west basins. Project includes well drilling, pumps, structures, electrical, and water treatment equipment. Pumped water will reduce cost to ratepayers.	\$725,000, minus cost savings due to the change from purchased water to groundwater pumping.
New well on a new site	Acquire land, drill, develop, and equip a new well to enable district to better utilize its groundwater rights in the central and west basins. Project includes land acquisition, well drilling, pumps, structures, electrical, and water treatment equipment.	\$1,025,000, minus cost savings due to the change from purchased water to groundwater pumping.
Treatment at Station 279-01 (Project 7801)	Study and implement water treatment at this station. Historical water quality data have shown relatively high iron and color	\$330,000, minus cost savings due to the change from

Project	Description	Estimated Cost
	concentrations in the water. Successful treatment will enable district to better utilize its groundwater rights.	purchased water to groundwater.
Treatment at Station 294-01 (Project 7801)	Study and implement water treatment at this station. Historical water quality data have shown relatively high iron and color concentrations in the water. Successful treatment will enable district to better utilize its groundwater rights.	\$330,000, minus cost savings due to the change from purchased water to groundwater.
Treatment at Station 298-01 (Project 7803)	Study and implement water treatment at this station. Historical water quality data have shown relatively high iron and color concentrations in the water. Successful treatment will enable district to better utilize its groundwater rights.	\$330,000, minus cost savings due to the change from purchased water to groundwater.
<i>Oroville:</i>		
Treatment Plant Enhancements	Study and implement water treatment to remove or deactivate cryptosporidium at district surface water treatment plant. Also, install backup generator.	\$712,400 for the study, treatment equipment, and backup generator.
<i>Palos Verdes</i>		
Phase 1 reliability project	Project to provide second source of storage and new pumps and water mains for district. This phase consists of design and construction of 14,100 feet of 24" pipeline to connect to the D-500 zone.	\$2,700,000 estimate in planning study.
Phase 2 reliability project	Project to provide second source of storage and new pumps and water mains for district. This phase consists of design and construction of 15,500 feet of 27" pipeline and 4,300 feet of 24" pipeline to the Crenshaw Reservoir and from there to Crest Road.	\$3,400,000 estimate in planning study.
Phase 3 reliability project	Project to provide second source of storage and new pumps and water mains for district. This phase consists of design and construction of Crenshaw Storage Reservoir, a four million gallon facility.	\$4,700,000 estimate in planning study.
Phase 4 reliability project	Construct Crenshaw booster station, a major booster station at the Crenshaw tank site.	\$3,000,000 estimate in planning study.
SCADA remote station replacement program	Replace ten remote terminal units over next two years. The existing units require phone connections and the phone company lacks the expertise to maintain connections to this type of equipment. The replacement units are wireless and programmable.	\$200,000
Digital mapping conversion (Project 2353)	Contract to convert the district's hand-prepared maps into a digital format. Initially budgeted at \$196,000, this project has already been completed at a reduced cost.	\$157,400

Project	Description	Estimated Cost
<i>Selma:</i>		
Main replacement	Replace 3,900 feet of a 6" backyard main with a larger 8" main in the street. Replacement main is needed because of access problems and the need for more flow.	\$277,000 plus a 5% contingency. The advice letter would be capped at \$290,000.
Pumped storage facility	Design and construct a ground-level tank with booster pumps to improve fire flow and peak hour capacity. Also install a backup generator.	\$962,500 for the tank, booster, and generator.
Well and backup generator	Construct a groundwater well with a backup generator to improve water supply. Project includes land acquisition, well drilling, pumps, structures, electrical, and water treatment equipment.	\$792,000.

At the request of the ALJ, CWS provided a supplemental exhibit following the evidentiary hearing setting forth more detailed information on the description, rationale, feasibility, and projected cost of these 15 projects. *See* Hearing Exhibit No. 36. All of these projects are to improve reliability and service, improve water quality, make repairs or replacements, or otherwise improve water management and service within existing water system boundaries.

Five projects, totaling an estimated \$2,740,000, are proposed for the Dominguez District. Two of these projects involve new wells to allow the district to better utilize its existing groundwater rights that, in turn, will lower costs to ratepayers and enhance water supply reliability. The remaining three projects are water treatment investigations and treatment, likely by a wellhead facility, of existing poor quality wells. The ability to use water from these wells will also lower costs and improve reliability.

One project, estimated at \$745,000, is planned for Oroville where the concern is water quality and reliability. CWS plans to study and install equipment to remove or deactivate cryptosporidium in the district's surface

water sources. The project includes the cost of a back-up generator at the treatment plant for use in the case of outages.

Palos Verdes has six planned projects, totaling an estimated \$14 million. Four of these involve a phased reliability project to construct an additional transmission pipeline and storage facility. This project will provide a second source of storage and a second main transmission line—both of which will provide more flexibility and reliability in the event of a disruption. The remaining projects, both minor, involve the replacement of difficult-to-maintain remote sensing units and the conversion of district maps into a digital format.

CWS proposed three projects for Selma totaling \$2,031,500. The largest of these is the construction of the district's first pumped storage facility. This will allow the company to meet peak flow demands, including fire emergencies, without bringing additional wells on-line. A second project is a new well plus associated pumping and electrical equipment to address increased supply in the district. The third project involves the relocation and replacement of 3,900 feet of water mains. The project will provide easier access for maintenance and repair, as the existing main is located in a backyard utility easement. More flow capacity will be provided through a larger pipe.

The parties agreed that advice letter processing would be appropriate for these projects because they are larger than typical repair and maintenance activities and involve uncertainty over cost or timing. As a result of that uncertainty, advice letter processing protects the company and its ratepayers from inaccurate cost or schedule predictions. The scope of each project, the estimated cost, and the cost cap on each project are sufficiently described to allow the Water Division to review these projects by advice letter

C. Rate of Return

In its applications, CWS asked for rates of return of 9.36% (2003), 9.33% (2004), 9.34% (2005), and 9.38% (2006). After adjustment, ORA recommended rates of 8.17% (2003), 8.15% (2004), 8.15% (2005), and 8.15% (2006). The parties agreed on 8.6% for all years 2003 through 2006. The parties' agreed rate of return is reasonable based on recent Commission experience.

The settlement also recognizes that, as a result of the merger between CWS and the Dominguez Water Company, the cost of capital for the Dominguez District has been lowered by 1.53% (including taxes). *See* discussion at Part VI(B), *infra*.

D. Revenue Requirement

Table 4 compares applicant's and ORA's initial positions on revenue requirement increases for test years 2003 and 2004 and attrition years 2005 and 2006 with what they propose in the settlements.

Table 4
Revenue Requirement Increases
(\$ thousands)

District/Year	Utility Requested		ORA Recommended		Settlement/ Adopted	
	\$	%	\$	%	\$	%
<i>Dominguez:</i>						
2003	4,632.0	17.23	1,270.2	4.33	2,541.1	9.09
2004	-686.4	-2.18	-1,122.2	-3.65	231.6	0.75
2005 AY	81.0	0.3	n/c	n/c	230.6	0.7
2006 AY	82.3	0.3	n/c	n/c	230.6	0.7
<i>Oroville :</i>						
2003	411.4	16.78	-132.6	-5.31	-154.4	-6.12
2004	217.7	7.59	18.3	0.77	49.1	2.07
2005 AY	81.0	2.6	n/c	n/c	41.3	1.7
2006 AY	82.3	2.6	n/c	n/c	41.3	1.7
<i>Palos Verdes:</i>						
2003	2,833.7	12.12	583.6	2.41	1,179.9	5.04
2004	1,066.9	4.04	35.8	0.14	97.3	0.39
2005 AY	81.0	0.3	n/c	n/c	92.8	0.4
2006 AY	82.3	0.3	n/c	n/c	92.8	0.4

<i>Selma:</i>						
2003	259.8	12.22	-109.8	-4.88	6.4	0.28
2004	243.8	10.16	32.0	1.49	26.4	1.15
2005 AY	81.0	3.1	n/c	n/c	18.4	0.8
2006 AY	82.3	3.0	n/c	n/c	18.4	0.8
AY=Attrition year; n/c=Not calculated						

Applicant and ORA propose that the Commission adopt their agreement on each of the district's revenue requirements based on the calculations set forth in their Joint Comparison Exhibit, Hearing Exhibit No. 25: Tables A-1 to D-4. *See also* Attachment D: Appendix A (Summary of Earnings & Rates of Return).

E. Attrition

The parties agreed that the Commission should authorize step and attrition increases for the four districts in this proceeding using a "recorded earnings" methodology set forth in paragraph 3.0 of their Addendum to Settlement, Attachment B. The parties agreed that the Commission should make these attrition adjustments based on recorded earnings for the latest 12-month period ending September 30th of each year. A table of weather coefficients, used in the attrition calculations, is set forth as Attachment C: Table F.

The parties further agreed that, in accordance with Commission policy, should CWS's earnings, based on the "recorded earnings" methodology, exceed its authorized return, the requested step or attrition increase will be reduced to offset the earnings in excess of CWS's authorized return in this proceeding or in any other future CWS proceeding, whichever is lower.

VI. Other Issues

A. Oroville Water Supply

The Oroville District purchases some of its water from a nearby PG&E hydroelectric facility. A physical breach in PG&E's canal, however, has resulted in the district having to convey the water through natural streams and other ditches. It is uncertain whether PG&E will repair the conveyance. Over the short-term, ratepayers benefit from the district continuing to accept the low-cost PG&E water; but, if PG&E does not repair the conveyance, the district will need to secure an alternative supply for environmental and reliability reasons. Water may be available under a State Water Project contract held by Butte County, but

the cost will be more. A traditional balancing account would not allow CWS to recover the additional cost of acquiring water from a different source. If CWS purchases water from Butte County, CWS and ORA agree that the company should be allowed to file an expense offset rate increase if and when the annual cost of acquiring water increases by at least \$10,000.

B. Synergies

The Commission approved the merger of CWS and Dominguez Services Corporation in D.00-05-047 (May 18, 2000). Dominguez Services Corporation was the holding company for the Dominguez, Kern River, and Antelope districts. The Dominguez District, at that time, was composed of the South Bay (Los Angeles County) and Redwood (northern California) divisions. The South Bay Division is now known as CWS's Dominguez District, one of the districts in this proceeding.

Pursuant to Pub. Util. Code § 2720(a), CWS was authorized to “write up” (by way of an acquisition adjustment) the rate base of the acquired systems based on their fair market value. The Commission determined the value of the acquired Dominguez Division to be \$53.7 million. *See* D.00-05-047, Ordering Paragraph 3. In exchange for this write up, CWS promised equivalent savings or “synergies” in operational expenses. The Commission ordered that, for ratemaking purposes, CWS be credited for the first \$ 3 million in annual net merger-related cost savings. Any cost savings above \$ 3 million per year would be split 90% to the company and 10% to ratepayers. *Id.*, Ordering Paragraph 2(f).

For the purpose of this rate case, CWS and ORA agreed on the savings or synergies to be applied to the Dominguez District and general office expenses, and those amounts are reflected in the settlement. The parties also agreed that

the merged entity had a lower cost of capital, a topic discussed in more detail in Part V(C).

Another issue in this proceeding, resulting from the merger, was whether Dominguez should be credited with an avoided rate base of \$1.2 million for not renovating its offices and not replacing an elevated tank. The parties agreed that this issue would be deferred until the 2005 rate case filing.

Another question resulting from the merger was the present value of future financial synergies for the period of 2000 to 2030. The parties also agreed to defer this issue until the 2005 rate case filing to allow the company, based on experience, to better demonstrate the resulting synergies and the necessary acquisition adjustment to the rate base. For the test years calculated in this proceeding, the parties agree that the appropriate synergy credit has been applied to the rate base.

C. Dominguez Water Supply

Proposed new wells and wellhead treatment equipment in the Dominguez District will change the mix of water to an increased reliance on groundwater pumped from the district's own wells. This, in turn, will result in increased pumping costs, decreased cost of purchasing water, and decreased revenues from the lease of water rights.

Due to delay and uncertainty about when these capital improvements will be completed, the parties agreed that the production mix should remain the same in 2003 and 2004. When any of these capital improvements are completed, the parties agree that CWS will file an advice letter adjusting rates to reflect the different costs and revenue resulting from the changed water mix.

D. Water Quality

CWS asked the Commission to determine that its water service meets all applicable water quality standards in all four districts. ORA concurs that CWS meets those standards. The prepared testimony introduced into evidence during the evidentiary hearing on the proposed settlement indicates that all four districts satisfied applicable federal and state water quality standards at the time of the tests or inspections reported in the evidence. *See* Prepared Testimony (and attachments) of Chet W. Auckly, CWS's Director of Water Quality and Environmental Affairs, Hearing Exhibit No. 11 at Tabs M & N (Oroville); Prepared Testimony (and attachments) of Auckly, Hearing Exhibit No. 14 at Tabs M & N (Palos Verdes); Prepared Testimony (and attachments) of Auckly, Hearing Exhibit No. 17 at Tabs M & N (Selma); and Prepared Testimony (and attachments) of Auckly, Hearing Exhibit No. 17 at Tabs M & N (Palos Verdes). The Commission makes no finding as to current compliance with applicable water quality standards.

VII. Comments on Proposed Decision

On March 12, 2004, the principal hearing officer's proposed decision addressing the proposed settlement was filed with the Commission and served on the parties in accordance with Section 311(d) of the Public Utilities Code and Rule 77.1 of the *Rules of Practice and Procedure*. The initial comments were received from ORA (March 30, 2004) and CWS (April 1, 2004). With the ALJ's permission, ORA also filed reply comments (April 7, 2004).

ORA suggests minor corrections in many of the ratesetting appendices (tariff sheets) set forth in Attachment D; and with these corrections, ORA indicates it supports the proposed settlement. All of ORA's corrections are necessary and they have been made.

In its comments, CWS also supports the settlement. The company, however, reviews the procedural delays in this proceeding that have resulted in a final decision after the start of the 2004 test year. CWS asks for additional language authorizing the company “to earn the return for all of test year 2004 approved by the Commission.” Comment at two. ORA opposes this request and argues that no memorandum account has been created for this purpose and such authorization would result in retroactive ratemaking. We decline to grant CWS’s request. We do not believe the decision cited by the company, *In re California Water Service Co. (Redwood Valley District)*, D.03-10-072 (March 16, 2004), directly supports this request. As ORA also points out, the company was granted an interim rate increase, effective October 30, 2003, pursuant to Section 455.2 of the Public Utilities Code. This interim ratesetting procedure is designed to mitigate the consequences of delay in these cases, and this procedure has been applied here to the company’s benefit. We do not need to do more.

VIII. Assignment of Proceeding

Geoffrey F. Brown is the Assigned Commissioner. John E. Thorson is the assigned ALJ and presiding officer in this proceeding.

Findings of Fact

1. CWS has entered into a settlement with ORA for the company’s applications for the Palos Verdes, Dominguez, Selma, and Oroville districts. Intervenor Leona Valley Cherry Growers Association and Jeffrey Young also signed the settlement. The settlement resolves every issue between the applicant and ORA in this proceeding.
2. The proposed settlement is supported by all of the active parties eligible to participate in this proceeding.

3. The active parties are fairly reflective of the affected interests in this proceeding.

4. No term of the proposed settlement contravenes statutory provisions or prior Commission decisions.

5. The settlement conveys sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the parties and their interests.

6. No party opposes approving the proposed settlement.

7. The summaries of earnings presented in Attachment D: Appendix A; the quantities and calculations presented in Attachment D: Appendices B-E; and the capital projects to be processed by advice letter presented in Table 3 and Hearing Exhibit No. 36, all based on the parties' settlement, are reasonable, justified, and sufficient for ratemaking purposes.

8. At the time of the evidence presented to the Commission, CWS's service in the Oroville, Selma, Dominguez, and Palos Verdes districts met all applicable federal and state water quality standards and the provisions of General Order (GO) 103.

Conclusions of Law

1. The proposed settlement is an uncontested agreement as defined in Rule 51(f) and an all-party settlement under *San Diego Gas & Electric*, 46 CPUC 2d 538 (1992). The proposed settlement satisfies the requirements of Rule 51(f) and *San Diego Gas & Electric*.

2. The proposed settlement is reasonable in consideration of the whole record, consistent with law, and in the public interest.

3. The proposed settlement should be adopted.

4. The revised rates, step increases, and tariff rule revisions set forth in Attachment D: Appendix F, based on the parties' settlement, are justified.

5. This decision should be made effective immediately to enable applicant to implement the settlement without delay.

6. CWS's service in Oroville, Selma, Dominguez, and Palos Verdes districts, at the time of the evidence presented to the Commission, complied with all applicable federal and state water quality standards and the provisions of GO 103.

O R D E R

IT IS ORDERED that:

1. The joint Motion for Adoption of Settlement between California Water Service Company (CWS) and the Office of Ratepayer Advocates (ORA) is granted. The settlement, incorporating the addendum to the settlement agreement (set forth in Attachments A and B) is adopted.
2. CWS is authorized to file in accordance with General Order (GO) 96-A, and to make effective, on not less than five days' notice, tariffs containing the test year 2003 increases for its districts as provided in the attachments to this decision. The revised rates shall apply to service rendered on and after the tariff's effective date.
3. Subject to pro forma tests after the 2003 increases are effective, CWS also is authorized to file in accordance with GO 96-A, and to make effective, on not less than five days' notice, tariffs containing the test year 2004 increases for its districts as provided in this decision and the attachments to this decision. The revised rates shall apply to service rendered on and after the tariff's effective date.
4. Advice letters for authorized rate increases for 2005 and 2006 may be filed in accordance with GO 96-A no earlier than November 1st of the preceding year. The filing shall include appropriate work papers. The increase shall be the amount authorized herein, or a proportionate lesser increase if CWS's rate of return on rate base, adjusted to reflect rates then in effect, normal ratemaking adjustments, and the adopted change to this pro forma test, for the twelve months ending September 30th of the preceding year, exceeds 8.6%. The advice letters shall be reviewed by the Commission's Water Division for conformity with this decision including the applicable provisions of the settlement

(Attachment A), settlement addendum (Attachment B), and the Joint Comparison Exhibit (Hearing Exhibit No. 25), and shall go into effect upon the Water Division's determination of compliance, not earlier than January 1st of the year for which the increase is authorized, or 30 days after filing, whichever is later. The tariffs shall be applicable to service rendered on or after the effective date.

5. CWS is authorized to file advice letters to recover or refund the difference between the interim rates allowed by Decision (D.) 03-10-072 and those authorized in this decision over no less than one year. The advice letter filings shall include all supporting data and calculations. The Water Division shall inform the Commission if it finds the proposed increase does not comply with this decision or other Commission requirements.

6. CWS is authorized to file advice letter rate base offsets to recover the reasonable capital costs of the improvements enumerated in the settlement, Attachment A, at §§ 2.40-2.48. Attachment A, ¶¶ 2.40-2.48 includes the approved description and scope of each project, the estimated cost, and the cap on project costs allowable in the advice letter filing, if any. The Water Division shall use these factors in its review of each advice letter.

7. For the advice letter offsets in Ordering Paragraph No. 6 which relate to projects concerning the Dominguez District's groundwater capacity, CWS is required to file the advice letters within 60 days from the date the facility is used and useful in the provision of utility service. In those filings, CWS shall recalculate the purchased water and groundwater mix available to the Dominguez District and adjust rates to reflect changes in purchased water, pump taxes, and purchased power that result from the new mix.

8. Within 90 days of the effective date of this decision, CWS shall report to the Commission, by application, the Dominguez District pre-merger headquarters that is not longer used in district operations (Relinquished Property). The application will ask for a Commission determination on whether, and to what extent, ratepayers share in the sales proceeds from the disposition of the Relinquished Property.

9. CWS shall establish balancing accounts for purchased water and power in the Oroville District consistent with the established procedures for maintaining and tracking such accounts.

10. CWS is allowed to file an expense offset advice letter for the Oroville District if, due to additional service interruption from its main source of supply, its purchased water from Butte County exceeds the adopted quantity by \$10,000 or more annually.

This order is effective today.

Dated April 22, 2004, 2004, at San Francisco, California.

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

LIST OF ATTACHMENTS

A—Settlement (Oct. 23, 2003)

B—Addendum to Settlement (Oct. 27, 2003)

C—Joint Comparison Exhibit (Nov. 17, 2003) (Selected Table)

Table F—Weather Adjustment Coefficients for Attritions Earnings Test

D—Ratesetting Appendices

Appendix A: Summary of Earnings and Rates of Return

Dominguez (South Bay) District

Oroville District

Palos Verdes District

Selma District

Appendix B: Dominguez (South Bay) District

Adopted Quantities (Water Demand)

Adopted Rate Base

Income Tax Calculation

Adopted Quantities (Purchased Power & Water)

Appendix C: Oroville District

Adopted Quantities (Water Demand)

Adopted Rate Base

Income Tax Calculation

Adopted Quantities (Purchased Power & Water)

Appendix D: Palos Verdes District

Adopted Quantities (Water Demand)

Adopted Rate Base

Income Tax Calculation

Adopted Quantities (Purchased Power & Water)

Appendix E: Selma District

Adopted Quantities (Water Demand)

Adopted Rate Base

Income Tax Calculation

Adopted Quantities (Purchased Power & Water)

Appendix F: Tariffs

Dominguez Tariff Area

Oroville Tariff Area

Palos Verdes Tariff Area

Selma Tariff Area

Appendix G: Bill Comparisons (Present v. Adopted)

Dominguez (South Bay) District

Oroville District

Palos Verdes District

A.03-01-034 et al. ALJ/JET/jva

Selma District

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1.00 GENERAL

1.01 The Parties to this Settlement before the California Public Utilities Commission (“Commission”) are California Water Service Company (“Cal Water”), the Office of Ratepayer Advocates (“ORA”), the Leona Valley Cherry Growers Association (“LVCGA”) and Jeffrey Young (Young) -- collectively, “the Parties.”¹ The Parties, desiring to avoid the expense and inconvenience attendant to the litigation before the Commission have agreed on this Settlement which they now submit for adoption.

1.02 Because this Settlement represents a compromise by them, the Parties have entered into the Settlement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter or law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement by the Commission not be construed as a precedent or statement of policy of any kind except as it relates to the current and future proceedings addressed in the Settlement.

¹ Leona Valley Cherry Growers Association, and Jeffrey Young agree only to those provisions of the settlement applicable to the cost of capital as it affects the Antelope Valley (A.02-11-021) and Redwood Valley (A.02-11-020) rate cases.

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2.0 SETTLEMENT TERMS

2.01 Service Connections

Cal Water and ORA both used recorded averages and known trends to determine the number of services by class in the four districts in this proceeding. In general, ORA had access to more recent data on growth in services through the end of 2002. Therefore, with the exceptions outlined below, Cal Water has accepted ORA's estimates.

2.02 The parties agree to use 20 as the number of industrial customers in Selma in 2003 and 2004. Growth through 2001 had indicated an average annual increase of one customer per year. However, when 2002 was taken into account, it appears that growth in this class has halted. ORA had originally forecast 21 customers in 2004.

2.03 Similarly, the parties agreed to use 7 as the estimate of Selma other customers in 2003 and 2004. More recent data showed the growth in this class had stopped. This is a reduction of 1 customer in 2004 from ORA's original estimate.

2.04 For Selma residential customers, ORA had originally assumed that growth in the first half of 2003 would be duplicated in the second half of 2003, resulting in 2,259 average customers in 2004. In addition, Cal Water's district management provided some erroneous data on services to ORA's witness. Cal Water's rebuttal testimony disputed that the growth would continue at the same pace as the first half of the year, noting that the resulting estimate of growth would be higher than any in the last ten-year recorded period. To resolve the dispute, Cal Water and ORA agreed to use a mid-year estimate resulting in 108 additional customers from mid-year 2003 to mid-year 2004. The three-year average annual

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growth for this class was 89 customers per year using 1999-2001 and 102 customers per year using the period 2000-2002. Given the large amount of growth in the first half of 2003, the parties agreed that 108 customers year-to-year represented a reasonable estimate of future growth. Therefore the parties agree to use 2047 (ORA's corrected estimate) for 2003 average services and 2155 for 2004 average services.

2.10 Water Sales

Cal Water and ORA used different methods to determine water sales in their respective reports. ORA relied exclusively on the modified bean method to determine sales per customer, while Cal Water used a regression method with the potential for more variables using the "E-Views" software package. The Commission has experience evaluating the results of both methods, and a combination of both methods has been used by Cal Water and ORA in past proceedings. Much of the discussion in Cal Water's rebuttal testimony and at the settlement conferences revolved around whether the results of ORA's Bean Model and Cal Water's E-Views package reasonably estimate future water sales.

2.11 Dominguez District

The parties agree that due to the limited data available², the most reasonable estimates of water sales for the Dominguez-South Bay district is a three-year average of recorded consumption per customer. The parties calculate 179.8 Ccf per connection for residential, 1,504.3 Ccf per customer for business, 1,583.2 Ccf

² The Dominguez-South Bay district was incorporated into Cal Water's operation as a result of D. 00-05-047. Previous rate cases for this district did not use the same weather variables and data is not available prior to 1992.

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per customer for multiple family, 4,185.5 Ccf per customer for public authority, and 1,464.5 Ccf per customer for other. The parties agree that because a vast majority of reclaimed water is sold to a single customer they will calculate reclaimed water based on average total sales for the class for the last three years (1,378.4 kCcf for the class). In addition, Cal Water accepts ORA's recommendation for industrial sales per customer.

2.12 Selma District

For Selma public authority sales, Cal Water had initially provided erroneous data to ORA's staff witness. After the witness reran the bean method using corrected data, ORA determined its estimate to be 1,181.5 Ccf per customer. Cal Water agrees to this figure.

2.13 Palos Verdes District

In Palos Verdes, ORA reran the bean method using corrected data. For residential class, the corrected sales per customer is 330.5 Ccf. For business, the corrected sales per customer is 1,646.0 Ccf. For Multi-family, the corrected sales per customer is 2,119.2 Ccf. For industrial, the corrected sales per customer is 777.7 Ccf. For public authority, the corrected sales per customer is 1,921.2 Ccf. Cal Water accepts these new recommendations by ORA.

For "other" customers, the parties agree that neither party's method produced a result that seemed consistent with the recorded data. ORA's estimate was higher than all but one of the last 14 recorded years, and Cal Water's estimate was considerably lower than any of the last three years. Based on this evidence, the parties agreed to use a three-year average of sales per customer of 3,582.9 Ccf.

2.14 Oroville District

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For multi-family customers, Cal Water and ORA both used regression analysis to determine estimated sales, with the distinction that Cal Water disregarded data prior to 1996 in its analysis. Cal Water believed that there was a change in the character of consumption in this class as a large customer was added in 1995. ORA was unable to determine in the limited time available if the single customer had such an impact. Faced with the uncertainty over this point, the parties agree that there is merit in both positions, but that neither position is agreeable to both parties. Therefore, the parties agree to use the average of the results of the two methods (4,943.5 Ccf per customer).

For irrigation customers, Cal Water and ORA note that due to the continued disruption of service from PG&E's facilities, water use by Cal Water's irrigation customers has been limited since the beginning of 2002. Considering that consumption per customer declined to 17,800 Ccf in 2002 and 7,300 Ccf per customer through June of 2003, the parties agree that irrigation use will be limited to 20,500 Ccf per customer in the test years. This estimate is lower than both parties' original estimates because of the supply disruption.

2.20 District Operating, Maintenance, Administrative and General Expenses

In general, because their report was written later, ORA had access to more recent data on operating, maintenance, administrative and general expenses through the end of 2002. Therefore, with the exceptions outlined below, Cal Water has accepted ORA's estimates.

2.21 ORA estimated payroll in the Dominguez-South Bay district using 2002 recorded payroll as a base. However, Cal Water pointed out in its rebuttal testimony that district synergies began accruing at the beginning of 2002 with the consolidation of Dominguez, Palos Verdes, and Hermosa-Redondo into a single

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operating district. Since ORA had properly credited the synergy savings elsewhere, the reduction in payroll from 2001 to 2002 would have been credited to the ratepayers twice. Based on Cal Water's estimate of \$463,000 payroll savings in the combined district, ORA and Cal Water agree to use the Dominguez 2002 recorded payroll as a base, plus \$463,000 in operating payroll representing the savings credited elsewhere in the summary of earnings. This base is inflated using Cal Water's union contract escalation factors for 2003 and 2004 to determine test year payroll. Furthermore, the parties agree to use ORA's estimate for Palos Verdes payroll.

2.22 Dominguez Rent Issue

Cal Water merged its Palos Verdes; Hermosa-Redondo and Dominguez district operations into a regional office center (Regional Office). The office center is owned and operated by CWS Utilities Inc. (CWS), a non-regulated affiliate of Cal Water. Cal Water leases approximately 60% of the office and 75% of the land for use as its Regional Office. The remainder of the office center is to be leased to a third party.

In connection with the merger, Cal Water transferred properties which it claims are no longer used and useful to its affiliate CWS (Relinquished Properties).

CWS exchanged the Relinquished Properties with a real estate developer, JCC Holmes Inc., for a build-to-suit office center.

In its general rate application for the Dominguez district, Cal Water requested recovery of the proportional rent allocated to the Dominguez district operations, approximately \$150,000 later updated to approximately \$140,000. ORA took the position that Dominguez district ratepayers should only pay the revenue requirement associated with the historical costs of owning and operating the pre-

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merger Dominguez district headquarters, and no rent should be allocated to Dominguez district ratepayers until the issue of the sale of these properties is resolved as described in D.03-09-021. Furthermore, ORA requested the Commission to void the transaction.

The parties agree Cal Water should report the sales of Relinquished Properties in accordance with D.03-09-021, and agreed that the Dominguez district ratepayers should continue to pay the revenue requirement associated with operating Dominguez' pre-merger headquarters.

The parties agree if the Commission orders Cal Water to share the gain on the sale of Relinquished Properties with the ratepayer, Cal Water will make a showing in its next general rate case about charging an equivalent rent to ratepayers. ORA recognizes that the ratepayers are not entitled to pay the revenue requirement associated with operating Dominguez' pre-merger headquarters and share the gain on the sale of the Relinquished Properties. Furthermore, if the Commission finds that ratepayers do not share in the gain on sale of Relinquished Properties, ratepayers shall continue to pay the revenue requirement associated with the costs of owning and operating the pre-merger Dominguez district headquarters. The future costs shall be computed by continuing to amortize the building over a thirty-year period ending in 2030. If a Commission decision is issued, which orders Cal Water to take action other than sharing or not sharing the gain with the ratepayer, the parties agree not to be bound by this agreement.

2.30 District Rate Base

ORA had access to end-of-year 2002 recorded plant additions, whereas Cal Water's estimates relied upon the 2002 capital budget. For the most part, ORA

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recognized the proper plant additions for 2002; Cal Water agrees to their estimates with certain minor exceptions noted below. ORA furthermore made many recommendations with respect to the capital projects in test years 2003 and 2004 in the districts. In general, Cal Water agrees with those recommendations, with the exceptions noted below. Many of ORA's recommendations request advice letter filings. These filings are enumerated in the next section.

2.31 In all districts in this proceeding, Cal Water requested capital projects for water supply and facilities master plans (WSMP). ORA recommended the Commission disallow these projects mainly because it hadn't been convinced of the need for the projects in all districts. Both parties agreed that a WSMP had been completed in 2001 in Palos Verdes. Furthermore, ORA contended that water supply planning is already a routine part of Cal Water's business. In its rebuttal, Cal Water contended that these plans serve as a basis for facilities construction and management for a twenty-year horizon and will help Cal Water justify future capital projects to the Commission. Cal Water further stated it did not have the expertise in its engineering department to complete these studies. Cal Water also pointed out that these plans would be less expensive if Cal Water had experienced personnel on staff to complete the studies. After discussions, Cal Water and ORA agree that WSMPs are prudent. However, ORA and Cal Water now agree that the plans for Oroville and Selma are less critical than for Dominguez-South Bay. Therefore, ORA agrees to allow a one-time cost in the 2004 capital budget of \$135,000 for the WSMP in Dominguez-South Bay for \$135,000 in the 2004 capital budget. Cal Water will complete WSMPs for Selma and Oroville with internal staff, but those capital projects will not be included in

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the test year budgets. Furthermore, ORA agrees that Cal Water should hire without adding to the operating expenses of the general office, the additional engineering complement necessary to complete future WSMP projects in-house.

2.32 ORA and Cal Water now agree on an advice letter filing for Project 7011, a 2003 main project in Selma, to improve service. Originally, Cal Water was required to provide additional justification for the project in an advice letter, but after discussing the issue during settlement, the parties agreed ORA had now received enough information to justify the project. ORA continues to recommend this project as an advice letter filing because of its high cost relative to the rest of the Selma project. However, ORA proposes a cap on the project cost of \$290,000. This cap represents the estimated capital cost of the main replacement plus a five-percent contingency. Cal Water does not ordinarily estimate with a provision for contingencies.

2.33 ORA initially opposed adding \$18,965 actually expended in Selma in 2002 for a meter replacement program budget item. At the settlement conference, Cal Water provided new information showing the company had purchased 213 meters under this budget item for new developments and meter replacements, not seven as initially described. After this information was confirmed, ORA agreed to recognize the expenditure.

2.34 ORA initially opposed adding approximately \$100,000 for a 2002 recorded project to replace a main in downtown Selma. Cal Water had constructed a 12" main where ORA believed a 6" main would be adequate. At the settlement conference, Cal Water explained that a 12" main was necessary for fire-flow in this commercial area. After reviewing the appropriate calculations, ORA agreed to allow the full amount of the main replacement in 2002.

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2.35 ORA had initially recommended the Commission not allow a main replacement project #7045 in 2004 in Selma because it felt Cal Water would have a difficult time completing all its budgeted projects. At the settlement conference, Cal Water explained that its delays in completing budgeted projects in 2002 and 2003 were due to cash-flow constraints related to regulatory lags. Because many of the large rate increase requests from that time frame have since been approved³, and because Cal Water has recently issued equity, Cal Water believes it can complete future capital projects on time. Furthermore, Cal Water added that different contractors are used for main projects and other capital projects so that completion of the main projects does not depend on the scheduling of other projects. As a result of this analysis, as well as a determination that 2003 main replacements in Selma will be completed by the end of the year, ORA agrees that project #7045 should be included in the 2004 capital budget for \$69,000.

2.36 ORA had initially recommended the Commission not allow \$50,000 in security mitigations in each of the districts because it had not received substantial justification. Cal Water indicated the justification would be found in its Vulnerability Assessments (VAs) in compliance with the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. However, VAs for Selma and Oroville are not due to be complete until 2004. ORA did not

³ The Commission approved D.03-09-021 in September, increasing Cal Water's revenues by approximately 12.8 million annually. Also, the Commission approved resolutions authorizing recovery of approximately 4.7 million in balancing account surcharges.

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review the Dominguez and Palos Verdes combined VA. At the settlement conference, Cal Water provided a list of the capital improvements recommended in the VA. After reviewing the new information, ORA agrees to allow \$50,000 in Dominguez-South Bay and \$50,000 in Palos Verdes in 2004 for these projects. Cal Water should use its judgement to determine the highest priority items and complete them in 2004. Because the exact amount of security mitigations needed in Selma and Oroville will not be known until VAs are complete, the parties agree to defer these projects out of this rate case cycle.

2.40 Advice Letters

2.41 In general, ORA has recommended advice letter filings for capital projects that are larger than typical projects for the district or which have some uncertainty over timing or cost. Cal Water agrees that the advice letter process imparts more certainty in these cases and protects both the utility and its ratepayers from inaccurately estimated project costs or schedules. The parties understand the Commission's Water Division processes these advice letters, and that the Water Division has extremely limited staff available for review. Therefore, the parties request the Commission make specific findings and orders authorizing the advice letters below.

2.42 In the Dominguez District, Cal Water is currently pumping less than 40% of its water rights, instead purchasing water. Cal Water has proposed drilling two wells to alleviate this problem. The first, at station 203, is estimated at \$725,000 including well drilling, pumps, structures, and water treatment equipment. The second, for which a location has not yet been found, is estimated at \$1,025,000 including land purchase. ORA believes that an advice letter for

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each well would help address cost and scheduling uncertainty. Cal Water agrees.

2.43 In further efforts to improve its pumping capacity, Cal Water is evaluating treatment options for three existing wells that have been idled due to water quality concerns. For station 294-01, Cal Water had proposed a \$330,000 project for the study and treatment of a water quality problem. ORA recommended that the study be completed and appropriate treatment works constructed in line with the study conclusions. Because of the uncertainty over timing and the results of the treatment study, ORA recommended Cal Water be allowed to file an advice letter to recover these costs when they are completed. Cal Water agreed. Similarly, Cal Water and ORA agree the Commission should adopt an advice letter process for station 298-01 and station 279-01. Both wells have similar water quality problems, and in both cases Cal Water has proposed first completing a study before constructing treatment plants. In summary ORA and Cal Water agree that three advice letters should be filed for these combination study and treatment projects.

2.44 In Oroville, Cal Water requested \$712,400 for a study and treatment to deactivate cryptosporidium in 2003. Again, because the type of treatment is unknown pending the outcome of the study, ORA recommended Cal Water be allowed to file an advice letter to cover the costs of both projects once the treatment recommended by the study is constructed. In addition, Cal Water may include in the advice letter filing the costs associated with a backup generator at the treatment plant to ensure supply reliability.

2.45 In Palos Verdes, Cal Water proposed a \$13.8 million water supply reliability upgrade, most in test year 2004. The project is necessary because the

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current configuration of mains and storage in the District provides only one source of water to the majority of customers. In the event of an earthquake or other supply disruption, customers could be without water service for long periods, endangering public health. Cal Water relied on a study by Montgomery Watson to determine the best plan of capital improvements to ensure this reliability. ORA agreed that the projects were necessary but had some questions about the cost estimates provided by Montgomery Watson. The \$13.8 million is a broad preliminary estimate, with 56.25% of contingency and administrative costs in addition to actual construction costs, which ORA believes should be eliminated or greatly reduced once CWS obtains better estimates from its contractors. Therefore, ORA recommended that Cal Water be authorized to file advice letters for these projects. In settlement discussions, Cal Water proposed the advice letters be separated into the following used and useful portions:

- 14,100' of 24" Pipe in PV Dr. North to D-500 zone tie-in
- 15,500' of 27" Pipe and 4300' of 24" Pipe in PV Dr. North and Crenshaw Blvd. to Crenshaw Res. and from Crenshaw booster station to Crest Rd.
- Crenshaw Storage Reservoir (\$4,700,000)
- Crenshaw Booster Station (\$3,000,000)

2.46 In its report for Palos Verdes, ORA also recommended Cal Water be allowed to file advice letters to recover the cost of its SCADA replacement program budgeted at \$200,000 and digital mapping project budgeted at \$196,100. The SCADA replacements are necessary to replace units that are no longer useful as the manufacturer has gone out of business. The SCADA and digital mapping project were delayed from 2002. Cal Water agrees that it should be allowed to file advice letters for these projects when they are completed.

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2.47 In its report on Selma, ORA recommended that the 2003 project for a pumped storage facility and backup generator for \$962,500, including equipment and land, should be recovered through an advice letter. Selma currently has adequate overall supply but may have problems with peak demands. The pumped storage facility will help meet peak demands and fireflows without additional supply. Cal Water agrees that due to uncertainty over timing, this project's cost should be recovered through an advice letter.

2.48 Also in its report on Selma, ORA recommended the advice letter process for a \$792,000, including equipment and land, new well and backup generator in 2004. As discussed in the section on service connections, Selma is growing and needs additional supply sources for redundancy and increased demand. Again, due to uncertainty over timing of this plant addition, Cal Water agrees it should be handled through the advice letter process.

3.0 GENERAL OFFICE

3.10 Personnel

In its initial filing, Cal Water used a 2001 base year for determining test year payroll. Because ORA had access to newer data, it used a 2002 base year. This led to a number of differences that the parties were able to reconcile after ORA's report and Cal Water's rebuttal were filed.

3.11 The parties agree that positions approved in D.03-09-021 and accepted in the text of ORA's report should be accounted for in rates. To that end, the parties agree that 2002 base payroll should be adjusted to annualize any position filled during 2002. Furthermore, for those positions approved in D.03-09-021 that are

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not yet filled, ORA and Cal Water agree they should be shown as additions in 2004, as they are unlikely to be filled in the two months remaining in 2003.

3.12 Similarly, the parties agree that other positions ORA has approved, including QA Manager, DBA Manager, Operations Manager, and Financial Reporting Analyst, which were filled during 2002, should be reflected as an annual cost in 2002 base payroll.

3.13 The parties agree that all other increases to general office complement, including those noted below, should be reflected in 2004.

3.14 ORA's report originally allowed only 50% of two positions of Financial Analyst and LIMS administrator. ORA initially determined that the Financial Analyst would work half-time on California Water Service Group (Group) activities and that the LIMS administrator would work half-time on contracted laboratory services. During settlement discussions, Cal Water explained that Group activities are allocated approximately 95% to Cal Water, so the effective allocation of the financial analyst's time is as much as 97% to Cal Water even under ORA's assumption. However, in the interests of avoiding litigation of such a small dispute (\$30,000) the parties agreed to allocate 90% of the financial analyst's time to Cal Water. Also during settlement discussions, Cal Water pointed out that the LIMS administrator would be overseeing all water quality tests including 10-15% for outside contracts. Due to this new information, ORA and Cal Water agree to allocate 75% of the LIMS administrator's time to Cal Water in the interests of avoiding litigation of such a small dispute (\$16,500).

3.15 ORA initially recommended against Cal Water's request for 18 additional employees to implement a company-wide proactive main flushing program.

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ORA witnesses stated in settlement talks that the request seemed excessive and that no law or regulation requires this flushing. Cal Water contended in direct and rebuttal testimony that the California Department of Health Services had a strong interest in Cal Water developing a flushing program to meet water quality needs. Further, Cal Water believes proactive flushing is prudent and good waterworks practice. Cal Water further noted that other Commission-regulated water utilities have similar programs. After discussion, the parties agreed that due to the conversion of San Francisco Water Department purchased water to chloramine disinfection, a proactive flushing program was needed in Cal Water's affected districts. The parties agree Cal Water should be allowed to hire a program engineer and a single flushing team comprising four members in 2004.

3.16 After discussion regarding three additional personnel requests from Cal Water that were initially rejected by ORA (Arsenic Engineer, Vice President of Government and Community Relations, and Accounting Analyst), the parties agree that Cal Water should be allowed an additional \$125,000 for payroll in 2004. This payroll should be used on the incremental personnel that best meets the needs of Cal Water in meeting its obligations to its customers.

3.17 In relation to capital projects 7270 for \$120,400, 7873 for \$69,700, and 7519 for \$140,400, ORA initially forecast savings of \$395,000 in 2004. Cal Water disputed the nature of some of these savings, stating they would save from future cost increases, costs would not be reduced until later years, or that time savings would simply allow employees to do other necessary work that was currently being neglected. ORA's approval of these projects as described below was based on the potential for savings. As a settlement, the parties agree that in exchange for allowing the projects in the capital budget, general office expenses

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should be reduced by the revenue requirement of the project capital cost, approximately 20% including a provision for taxes and depreciation, a total of \$66,100. Cal Water does agree to ORA's projected cost savings of \$19,500 for project 7553 and \$15,000 for project 7556. The total of these adjustments, \$100,600, should be deducted from 2004 general office payroll. This will ensure that completion of the projects will at least be neutral to the ratepayers from a cost standpoint. As future savings occur, they will be reflected in later general rate case filings by the company.

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3.20 O&M and A&G Expenses in General Office

In general, because their report was written later, ORA had access to more recent data on operating, maintenance, administrative and general expenses through the end of 2002. Therefore, with the exceptions outlined below, Cal Water has accepted ORA's estimates.

3.21 In 2000, Cal water changed where it booked unregulated credits for water quality services from Operations Expense-Water Treatment to General Administrative Expense. In 2002, Cal Water made a similar accounting change in its billing credits from Operations –Customer Accounting to General Administrative expense. These changes distorted the analysis of these three categories for the test years. In the interest of consistency, ORA and Cal Water now agree that 2002 is the only unambiguous recorded year for charges to these three accounts and recommend use of a 2002 base year for estimating 2003 and 2004 test year expense. The combined cost of these expenses is \$2,070,000 in 2002, compared to \$1,675,800 in ORA's report and \$2,344,700 as recommended in Cal Water's rebuttal.

3.22 ORA originally recommended that regulatory commission expenses should be \$94,100 in 2003 and \$93,600 in 2004 based on an average of past expenses. Cal Water explained that its regulatory burden has changed with new state law requiring rate case filings every three years and other Commission activities. After discussion during settlement, and considering 2002 and 2003-to-date expenses, the parties agree to recommend \$191,000 as a 2002 base, escalated for inflation in the test years.

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3.23 ORA originally estimated property insurance based on Cal Water's current costs. However, this is an area of synergy savings and the savings of \$76,000 are reflected elsewhere in the summary of earnings. Therefore, to avoid double-crediting synergies, the parties agree to add \$76,000 to ORA's estimate of property insurance.

3.30 General Office Rate Base

3.31 The parties had numerous disputes within the general office 2003 capital budget that resulted in aggregate estimates of \$7,199,000 for Cal Water and \$3,923,758 for ORA. Both the Cal Water and ORA amounts include 2002 deferred items. Rather than litigate or settle each individual item, which the parties thought would unnecessarily use hearing time, they agreed to consider the General Office capital budget as a whole package. Both parties discussed the positions of each party on capital items as well as the ability of Cal Water to implement such a large capital expenditure program so late in 2003⁴. Therefore, the parties agreed to capital expenditures of \$4.5 million in 2003 to be used on the projects Cal Water determines are most critical in this budget year. This estimate represents a \$576,000 increase over ORA's estimate and a \$590,000 decrease from Cal Water's 2003 budget.

⁴ Cal Water had expended approximately \$2.7 million on General Office capital projects through August.

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3.32 Similarly, after discussing the merits of each party's position on specific 2004 General Office capital improvements, the parties agree to use ORA's recommended capital budget of \$3,665,080 with one addition noted below. The 2004 capital budget includes projects described above that have cost savings calculated in General Office expenses.

3.33 In addition to ORA's recommended 2004 General Office capital budget, Cal Water provided substantial additional information on rebuttal for project 9561 for the upgrade of the PeopleSoft CIS system. Cal Water explained the critical need for this project, and after review, reduced its estimate of the project cost from \$1.6 million to \$1.3 million. Based on the new information and the revised estimate, ORA agrees to recommend approval of this project. Parties agree to plant additions in 2004 of \$4.966 million reflecting ORA's 2004 additions with the inclusion of the PeopleSoft CIS project at Cal Water's revised cost of \$1.3 million.

3.34 In all other respects, Cal Water agrees to ORA's recommendations on general office.

3.40. G.O. Allocation

3.41. ORA and Cal Water initially disagreed on the allocation percentage of general office expenses and rate base to Dominguez district. Cal Water had used a four factor analysis modified to reflect the historic allocations of Dominguez to its outlying districts in Kern River Valley, Antelope Valley, and Redwood Valley. ORA used a four-factor formula without this modification. Subsequent to Cal Water's filing in this case, the Commission issued D.03-10-005, which approved the modified four-factor for Kern River Valley and Antelope Valley. The parties believe that the eventual decision in A.02-11-020 for Redwood Valley will

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use the same method. Therefore, to be consistent, the parties agree to use a 10.0% general office allocation for Dominguez-South Bay, which is the result of the same method used in the other cases.

4.00 Synergies

4.01 Synergies resulting from the merger of Cal Water and Dominguez Water approved in D.00-05-047 are annual expense savings used primarily to offset merger-related rate base write-ups. Under that decision, Cal Water is allowed to include an acquisition adjustment in its rate base as long as the revenue requirement is offset by equivalent cost savings. Also, any cost savings over \$3,000,000 annually should be credited 10% to the ratepayers of all Cal Water's districts. The parties are in general agreement on these issues. ORA agreed for this rate case to Cal Water's estimate of district operating and general office synergies. Furthermore, ORA and Cal Water agreed that the merged entity should have a 1.53% lower cost of capital (including taxes) than Dominguez would have on a standalone basis. The parties disagreed on the rate base applicable to this lower cost of capital, but have since agreed on this figure as part of the settlement of district rate base.

4.02 Also initially, the parties disagreed whether Dominguez should be credited with avoided rate base of \$1.2 million due to not renovating its offices and not replacing an elevated tank. Because of the uncertainty over the Commission's disposition of the combined Dominguez office building and transfer of property, the parties now agree that this issue should be deferred for consideration in the 2005 rate case filing. Therefore, for this rate case only, Cal Water agrees to ORA's estimate of no avoided rate base.

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4.03 Finally, the parties initially disagreed over including in the synergy calculation an amount for the present value of future financial synergies. These are savings in the 30-year period from 2000 to 2030 of 1.53% on future incremental rate base in the Dominguez-South Bay district. The parties now agree that any consideration of future financial synergies should not be applied in this rate case. The 2005 rate case filing will present the final opportunity for Cal Water to demonstrate synergies and book an acquisition adjustment into rate base. Accordingly, the parties agree that future financial synergies may be considered as part of that final examination. At this time, no calculation of future savings is necessary because the rate base is estimated for the test years and the appropriate credit has been applied to this rate base

5.0 Other Issues

5.1 Rate of Return

The parties agree that the rate of return (ROR) shall be 8.6% for all years 2003 through 2006. In its Application, Cal Water requested rates of return 9.36%, 9.33%, 9.34% and 9.38% while ORA recommended rates of return of 8.07%, 7.98%, 7.99% and 8.03%. Since the filing of its Application, Cal Water has completed its anticipated 2003 bond placements and interest rates and associated issuance costs were higher than originally anticipated by the parties. Cal Water has also been able to refinance outstanding indebtedness at more favorable rates than in its last GRC. The net effect of these adjustments resulted in ORA's recommended rates or return of rising to 8.17%, 8.15%, 8.15% and 8.15%. After reviewing recent rates of return authorized by the Commission for Class A water utilities (including Cal Water's last authorized ROR, authorized in

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September 2003), the parties determined that all authorized ROR's are higher than 8.6%.

Given the recent authorized ROR's as well as Cal Water's ability to issue long-term debt at a lower rate than in the past, the parties agreed that 8.6% ROR for the test and attrition years would be reasonable.

5.2 Oroville Balancing Accounts

Cal Water's balancing accounts in Oroville were closed as a result of a settlement in D.98-07-090. In exchange for losing balancing account protection, Cal Water was allowed to file for CPI increases in Oroville in 1999, 2000, 2001, 2002, and 2003. ORA and Cal Water agree that because this process is no longer in effect, the conditions for closing the balancing accounts no longer exist. The parties agree the Commission should reauthorize balancing and memorandum accounts for Oroville.

5.3 Butte County Purchased Water in Oroville

ORA and Cal Water agree that there is some long-term uncertainty over the PG&E purchased water supply in Oroville. ORA commented in its report that it believed Cal Water had not acted aggressively enough with PG&E to return its water supply to full capacity. Cal Water presented arguments in the settlement discussions that its limited efforts to improve the supply are in the interests of the ratepayers, as they benefit from the relatively low current cost of the contract as compared to other available supplies. The parties now agree it is beneficial to continue with the current raw water supplies through the rate case cycle.

However, the current situation involves Cal Water taking PG&E's raw water supplies through natural streams and other ditches. There are inherent risks from environmental regulations as well as possible additional physical failures.

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Cal Water has identified the State Water Project (through a contract with Butte County) as the next best source of water. Because traditional balancing accounts do not take into account the mix of sources, any change from PG&E's supply to Butte County supplies would not be recoverable in the balancing account or offset process. Therefore, in recognition that continued use of PG&E water at current contract rates is a benefit to ratepayers, ORA agrees that Cal Water should be allowed to file an expense offset rate increase to take into account changes in purchased water from Butte County. The parties agree that Cal Water should not be allowed to file an advice letter until annual expenses increase by at least \$10,000.

5.4 Cal Water in its application requested a ruling from the Commission that its water service meets all applicable standards. ORA in its reports agreed with Cal Water that it meets those standards. Therefore the parties jointly recommend the Commission make this finding.

6.0 EXECUTION OF THE AGREEMENT

6.1 The Parties agree, without further consideration, to execute and/or cause to be executed, any other documents and to take any other action as may be necessary, to effectively consummate this Settlement Agreement. The Parties shall take no action in opposition to this Settlement.

6.2 The Parties agree that no signatory to this Settlement or any member of ORA assumes any personal liability as a result of their agreement. The Parties agree that no legal action may be brought by any Party in any state or federal court, or any other forum, against any individual signatory representing the interests of ORA, attorneys representing ORA, or the ORA itself related to this

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Settlement. All rights and remedies of the Parties are limited to those available before the Commission.

6.3 This Settlement Agreement may be executed in any number of counterparts and by different Parties in separate counterparts, with the same effect as if all the Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement.

6.4 The undersigned acknowledge that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency and/or employment.

7.0 GOVERNING LAW

7.1 The Parties acknowledge that unless expressly and specifically stated otherwise herein, the California Public Utilities Code, Commission regulations, orders, rulings, and/or decisions shall govern the interpretation and enforcement of this Agreement.

8.0 VERIFICATION

8.1 The signatories to this Settlement personally and independently verify that all elements of it are true, correct, complete, and internally consistent.

OFFICE OF RATEPAYER ADVOCATES

By: /s/_____

Monique Steele
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CALIFORNIA WATER SERVICE
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By: /s/_____

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**ATTACHMENT A:
SETTLEMENT
Page 26 of 24**

LEONA VALLEY CHERRY GROWERS
ASSOCIATION

By: /s/_____

/s/_____

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(707) 538-7031

(END OF ATTACHMENT A)

**ATTACHMENT B:
ADDENDUM TO SETTLEMENT**

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1.0 GENERAL

1.01 After filing the settlement in A. 03-01-034, the parties discovered two additional areas of agreement that needed to be included in settlements presented to the Commission. ORA and Cal Water are agreeing to these terms as an addition, and in one place a correction, to the previous settlement.

1.02 The additional settlement issues do not relate to the areas of involvement of the intervenors Leona Valley Cherry Growers Association and Jeffrey Young. Nevertheless, ORA and Cal Water have informed the intervenors of the additional terms. Both intervenors expressed no objection to the additional settlement.

2.0 PURCHASED WATER MIX IN DOMINGUEZ-SOUTH BAY

2.01 ORA and Cal Water originally proposed a change in the mix of purchased and pumped water in the Dominguez district between 2003 and 2004. Both parties recognize that due to capital budget delays, the projects to improve Dominguez' pumping capacity have been delayed. In another section of the settlement, the parties agree to recommend Cal Water file rate base offset advice letters when these projects (two new wells and three wellhead treatment plants) are placed in service. Therefore, the parties agree that the production mix should remain at the agreed-upon 2003 level for 2004. When any of the wellhead treatment plants or new wells is placed into service, Cal Water shall include in its advice letter request a change in expenses related to the new aggregate pumping capacity of wells in the system. Such change shall include increased pumping cost, decreased purchased water, and decreased credit for lease of water rights.

**ATTACHMENT B:
ADDENDUM TO SETTLEMENT**

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The parties make this agreement because it will more accurately reflect the actual cost of service in the Dominguez district.

3.0 ATTRITION EARNINGS TEST

3.01 ORA originally proposed an attrition earnings test mechanism using the existing 1985 procedure, but with a modification to use recorded water sales in all classes. The existing 1985 procedure, uses adopted sales with a weather adjustment. During settlement, the parties agreed to use the method adopted in their joint recommendations in D.03-09-021 (Paragraph 5.06 of the joint recommendations). Thus, the parties agree the Commission should authorize step and attrition increases for Cal Water's districts in this proceeding based on recorded earnings for the latest 12 months ending September 30 each year. Additionally, the recorded earnings test should be adjusted to exclude expenses subject to balancing or memorandum account recovery. Moreover, the sales and sales related expenses in the recorded earnings test should be adjusted to exclude revenues credited to balancing and memorandum accounts. The table of weather coefficients will be filed with the other comparison tables on November 17, 2003. In accordance with the Commission's policy for approving step and attrition increases, should Cal Water's earnings, based on the recorded test above, exceed its authorized return, the requested step or attrition increase should be reduced to offset the earnings in excess of its authorized return in this proceeding or in any other future Cal Water proceeding, whichever is lower.

4.0 CORRECTION

4.01 The parties agree to modify the general office allocation for Dominguez to be 9.85%. The figure of 10.00% in paragraph 3.41 was incorrect.

**ATTACHMENT B:
ADDENDUM TO SETTLEMENT
Page 3 of 4**

5.0 EXECUTION OF THE AGREEMENT

5.1 The Parties agree, without further consideration, to execute and/or cause to be executed, any other documents and to take any other action as may be necessary, to effectively consummate this Settlement Agreement. The Parties shall take no action in opposition to this Settlement.

5.2 The Parties agree that no signatory to this Settlement or any member of ORA assumes any personal liability as a result of their agreement. The Parties agree that no legal action may be brought by any Party in any state or federal court, or any other forum, against any individual signatory representing the interests of ORA, attorneys representing ORA, or the ORA itself related to this Settlement. All rights and remedies of the Parties are limited to those available before the Commission.

5.3 This Settlement Agreement may be executed in any number of counterparts and by different Parties in separate counterparts, with the same effect as if all the Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement.

5.4 The undersigned acknowledge that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency and/or employment.

**ATTACHMENT B:
ADDENDUM TO SETTLEMENT
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6.0 GOVERNING LAW

6.1 The Parties acknowledge that unless expressly and specifically stated otherwise herein, the California Public Utilities Code, Commission regulations, orders, rulings, and/or decisions shall govern the interpretation and enforcement of this Agreement.

7.0 VERIFICATION

7.1 The signatories to this Settlement personally and independently verify that all elements of it are true, correct, complete, and internally consistent.

Dated: October 27, 2003

OFFICE OF RATEPAYER ADVOCATES

CALIFORNIA WATER SERVICE
COMPANY

By: /s/ _____

By: /s/ _____

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(END OF ATTACHMENT B)

ATTACHMENT C
JOINT COMPARISON EXHIBIT
(November 17, 2003) SELECTED TABLE
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Table F – Weather Adjustment Coefficients for Attrition Earnings Test

	Normal Weather Values	Coefficients	
	Temperature Rainfall	Temperature	Rainfall
Dominguez	63.15 degrees 11.72 inches		
Residential		4.17	-1.29
Business		71.52	-12.90
Multi Family		33.21	-6.22
Public Authority		364.17	-60.34
Oroville	63.79 degrees 20.96 inches		
Residential		4.14	-1.56
Business		2.13	-0.94
Multi Family		none	-9.2
Public Authority		none	-0.98
Palos Verdes	63.1 degrees 11.93 inches		
Residential		7.36	-3.94
Business		none	-15.24
Multi Family		none	-6.17
Public Authority		none	-3.33
Selma	63.78 degrees 10.76 inches		
Residential		6.03	-2.63
Business		15.89	-4.78
Multi Family		1.62	-50.67
Public Authority		22.89	-12.85

(END OF ATTACHMENT C)

**ATTACHMENT C
JOINT COMPARISON EXHIBIT
(November 17, 2003) SELECTED TABLE
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ATTACHMENT D: RATESETTING APPENDICES

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DOMINGUEZ SO BAY

SUMMARY OF EARNINGS AND RATES OF RETURN

	YEARS		THROUGH	2004
	PRESENT RATES		AT AUTHORIZED RATE OF RETURN	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
OPERATING REVENUES	\$27,962.1	\$28,126.3	\$30,502.5	\$30,913.9
OPERATING EXPENSES				
PURCHASED WATER	14,598.2	14,729.4	14,598.2	14,729.4
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0	0.0
GROUNDWATER EXTRACTION CHARGE	1,238.8	1,238.8	1,238.8	1,238.8
PURCHASED POWER	1,665.1	1,674.4	1,665.1	1,674.4
PURCHASED CHEMICALS	119.8	120.5	119.8	120.5
PAYROLL -- DISTRICT	1,877.5	1,905.8	1,877.5	1,905.8
UNCOLLECTIBLES	59.8	60.2	65.3	66.2
OTHER OPERATION AND MAINTENANCE	1,232.7	1,259.1	1,232.7	1,259.1
OTHER ADMIN AND GEN. EXP.	94.3	96.7	94.3	96.7
TOTAL O. & M., A. & G., & MISC. EXP.	20,886.2	21,084.9	20,891.7	21,090.9
TAXES OTHER THAN INCOME				
AD VALOREM TAXES	443.5	554.7	443.5	554.7
LOCAL FRANCHISE TAXES 0.00000%	0.0	0.0	0.0	0.0
BUSINESS LICENSE FEES	1.1	1.1	1.1	1.1
PAYROLL TAXES	135.7	137.8	135.7	137.8
TOTAL GENERAL TAXES	580.3	693.5	580.3	693.5
DEPRECIATION	2,344.1	2,373.8	2,344.1	2,373.8
G.O. PRORATED EXPENSES:				
PAYROLL AND BENEFITS	2,357.3	2,532.5	2,357.3	2,532.5
AD VALOREM TAXES	24.7	29.4	24.7	29.4
PAYROLL TAXES	88.4	96.9	88.4	96.9
MERGER SAVINGS	-3,155.5	-3,269.8	-3,155.5	-3,269.8
OTHER PRORATED EXPENSES	999.0	1,041.0	999.0	1,041.0
TOTAL G.O. PRORATED EXPENSES	313.9	430.0	313.9	430.0
SUB -- TOTAL -- OPERATING EXPENSES	24,124.5	24,582.2	24,130.0	24,588.2
TOTAL INCOME TAXES:	1,004.1	845.1	2,115.4	1,986.1
TOTAL OPERATING EXPENSES	25,128.6	25,427.3	26,245.4	26,574.3
NET OPERATING REVENUE	2,833.5	2,699.1	4,257.1	4,339.6
DEPRECIATED RATE BASE	49,479.0	50,437.5	49,479.0	50,437.5
RATE OF RETURN	5.73%	5.35%	8.60%	8.60%

ATTACHMENT D: RATESETTING APPENDICES

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OROVILLE

SUMMARY OF EARNINGS AND RATES OF RETURN

	YEARS		THROUGH	2004
	PRESENT RATES		AT AUTHORIZED RATE OF RETURN	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
OPERATING REVENUES	\$2,524.1	\$2,521.8	\$2,369.4	\$2,416.1
OPERATING EXPENSES				
PURCHASED WATER	71.9	71.9	71.9	71.9
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0	0.0
GROUNDWATER EXTRACTION CHARGE	0.0	0.0	0.0	0.0
PURCHASED POWER	156.9	158.5	156.9	158.5
PURCHASED CHEMICALS	58.2	58.3	58.2	58.3
PAYROLL -- DISTRICT	494.1	508.9	494.1	508.9
UNCOLLECTIBLES	12.5	12.5	11.8	12.0
OTHER OPERATION AND MAINTENANCE	196.0	200.0	196.0	200.0
OTHER ADMIN AND GEN. EXP.	47.9	48.9	47.9	48.9
TOTAL O. & M., A. & G., & MISC. EXP.	1,037.5	1,059.0	1,036.8	1,058.5
TAXES OTHER THAN INCOME				
AD VALOREM TAXES	55.8	56.5	55.8	56.5
LOCAL FRANCHISE TAXES 0.00000%	0.0	0.0	0.0	0.0
BUSINESS LICENSE FEES	0.1	0.1	0.1	0.1
PAYROLL TAXES	35.7	36.3	35.7	36.3
TOTAL GENERAL TAXES	91.6	92.9	91.6	92.9
DEPRECIATION	192.4	196.5	192.4	196.5
G.O. PRORATED EXPENSES:				
PAYROLL AND BENEFITS	275.2	295.7	275.2	295.7
AD VALOREM TAXES	2.9	3.4	2.9	3.4
PAYROLL TAXES	10.3	11.3	10.3	11.3
OTHER PRORATED EXPENSES	116.6	121.6	116.6	121.6
TOTAL G.O. PRORATED EXPENSES	405.0	432.0	405.0	432.0
SUB -- TOTAL -- OPERATING EXPENSES	1,726.6	1,780.4	1,725.9	1,779.9
TOTAL INCOME TAXES:	244.6	210.1	177.1	168.7
TOTAL OPERATING EXPENSES	1,971.2	1,990.5	1,903.0	1,948.6
NET OPERATING REVENUE	552.9	531.3	466.4	467.5
DEPRECIATED RATE BASE	5,420.4	5,433.4	5,420.4	5,433.4
RATE OF RETURN	10.20%	9.78%	8.60%	8.60%

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PALOS VERDES

SUMMARY OF EARNINGS AND RATES OF RETURN

	YEARS		THROUGH	2004
	PRESENT RATES		AT AUTHORIZED RATE OF RETURN	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
OPERATING REVENUES	\$23,389.4	\$23,457.8	\$24,569.3	\$24,738.2
OPERATING EXPENSES				
PURCHASED WATER	11,560.4	11,593.5	11,560.4	11,593.5
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0	0.0
GROUNDWATER EXTRACTION CHARGE	0.0	0.0	0.0	0.0
PURCHASED POWER	3,248.8	3,255.1	3,248.8	3,255.1
PURCHASED CHEMICALS	0.0	0.0	0.0	0.0
PAYROLL -- DISTRICT	1,420.8	1,442.0	1,420.8	1,442.0
UNCOLLECTIBLES	3.7	3.7	3.8	3.9
OTHER OPERATION AND MAINTENANCE	918.1	932.6	918.1	932.6
OTHER ADMIN AND GEN. EXP.	93.7	95.6	93.7	95.6
TOTAL O. & M., A. & G., & MISC. EXP.	17,245.5	17,322.5	17,245.6	17,322.7
TAXES OTHER THAN INCOME				
AD VALOREM TAXES	234.8	236.6	234.8	236.6
LOCAL FRANCHISE TAXES 0.96490%	225.7	226.3	237.1	238.7
BUSINESS LICENSE FEES 0.00941%	2.2	2.2	2.2	2.2
PAYROLL TAXES	102.7	104.3	102.7	104.3
TOTAL GENERAL TAXES	565.4	569.3	576.8	581.7
DEPRECIATION	1,114.5	1,142.6	1,114.5	1,142.6
G.O. PRORATED EXPENSES:				
PAYROLL AND BENEFITS	1,689.5	1,815.1	1,689.5	1,815.1
AD VALOREM TAXES	17.7	21.1	17.7	21.1
PAYROLL TAXES	63.4	69.5	63.4	69.5
OTHER PRORATED EXPENSES	716.0	746.2	716.0	746.2
TOTAL G.O. PRORATED EXPENSES	2,486.6	2,651.9	2,486.6	2,651.9
SUB -- TOTAL -- OPERATING EXPENSES	21,412.0	21,686.3	21,423.5	21,698.9
TOTAL INCOME TAXES:	493.0	361.8	1,005.1	881.5
TOTAL OPERATING EXPENSES	21,905.0	22,048.1	22,428.6	22,580.4
NET OPERATING REVENUE	1,484.4	1,409.6	2,140.7	2,157.8
DEPRECIATED RATE BASE	24,860.8	25,057.0	24,860.8	25,057.0
RATE OF RETURN	5.97%	5.63%	8.60%	8.60%

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SELMA

SUMMARY OF EARNINGS AND RATES OF RETURN

	YEARS		2003	THROUGH	2004
	PRESENT RATES		AT AUTHORIZED RATE OF RETURN		
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	
OPERATING REVENUES	\$2,252.5	\$2,292.1	\$2,259.1	\$2,325.1	
OPERATING EXPENSES					
PURCHASED WATER	0.0	0.0	0.0	0.0	
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0	0.0	
GROUNDWATER EXTRACTION CHARGE	12.3	12.3	12.3	12.3	
PURCHASED POWER	331.5	337.2	331.5	337.2	
PURCHASED CHEMICALS	13.1	13.2	13.1	13.2	
PAYROLL -- DISTRICT	338.8	343.9	338.8	343.9	
UNCOLLECTIBLES	2.0	2.0	2.0	2.1	
OTHER OPERATION AND MAINTENANCE	201.2	205.6	201.2	205.6	
OTHER ADMIN AND GEN. EXP.	40.4	41.2	40.4	41.2	
TOTAL O. & M., A. & G., & MISC. EXP.	939.3	955.4	939.3	955.5	
TAXES OTHER THAN INCOME					
AD VALOREM TAXES	51.9	55.7	51.9	55.7	
LOCAL FRANCHISE TAXES 0.00000%	0.0	0.0	0.0	0.0	
BUSINESS LICENSE FEES FIXED	0.7	0.7	0.7	0.7	
PAYROLL TAXES	24.5	24.9	24.5	24.9	
TOTAL GENERAL TAXES	77.1	81.2	77.1	81.2	
DEPRECIATION	240.1	255.2	240.1	255.2	
G.O. PRORATED EXPENSES:					
PAYROLL AND BENEFITS	265.7	285.4	265.7	285.4	
AD VALOREM TAXES	2.8	3.3	2.8	3.3	
PAYROLL TAXES	10.0	10.9	10.0	10.9	
OTHER PRORATED EXPENSES	112.6	117.3	112.6	117.3	
TOTAL G.O. PRORATED EXPENSES	391.1	416.9	391.1	416.9	
SUB -- TOTAL -- OPERATING EXPENSES	1,647.6	1,708.7	1,647.6	1,708.8	
TOTAL INCOME TAXES:	154.1	129.8	157.0	144.2	
TOTAL OPERATING EXPENSES	1,801.7	1,838.5	1,804.6	1,853.0	
NET OPERATING REVENUE	450.8	453.6	454.5	472.1	
DEPRECIATED RATE BASE	5,282.5	5,487.5	5,282.5	5,487.5	
RATE OF RETURN	8.54%	8.27%	8.60%	8.60%	

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California Water Service Company
Dominguez South Bay District

Adopted Quantities

Number of Services by meter size:	2003	2004
5/8 x 3/4	28,489	28,615
3/4	-	-
1	1,130	1,140
1 1/2	749	757
2	1,378	1,392
3	241	243
4	54	54
6	30	30
8	28	28
10	34	34
TOTAL	32,133	32,293

Metered Sales, KCcf		
Potable	15,570.8	15,665.4
Recycled	1,378.4	1,378.4

Number of Services and Use:

	Avg Services		Use, KCcf		Avg Use, Ccf/Sv/Mo	
	2003	2004	2003	2004	2003	2004
Residential	27,815	27,933	5,001.1	5,022.4	15.0	15.0
Business	2,953	2,983	4,442.2	4,487.3	125.4	125.4
Multi-family	937	946	1,483.5	1,497.7	131.9	131.9
Industrial	132	132	3,494.0	3,494.0	2,205.8	2,205.8
Public Authority	259	262	1,084.0	1,096.6	348.8	348.8
Other	45	46	65.9	67.4	122.0	122.1
Recycled	4	4	1,378.4	1,378.4	28,716.7	28,716.7
Sub-Total	32,145	32,306	16,949.1	17,043.8		
Private Fire Prot.	1,038	1,051				
Public Fire Prot.	-	-				
TOTAL	33,183	33,357	16,949.1	17,043.8		
Losses, 2.1067%			357.1	366.8		
Total Production			17,306.2	17,410.6		

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CALIFORNIA WATER SERVICE CO.
DOMINGUEZ SO BAY

ADOPTED RATE BASE
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
RATE BASE		
WTD. AVG. PLANT IN SERVICE	90165.0	92876.4
MATERIALS AND SUPPLIES	0	0
WORKING CASH - LEAD - LAG	-505.4	-499.9
WORKING CASH - W / H EMPLOYEES	-6.3	-6.3
WTD. AVG. DEPRECIATION RESERVE	-26686.6	-29031.0
ADVANCES FOR CONSTRUCTION	-3427.3	-3249.2
CONTRIBUTIONS	-8823	-8634.2
AMORTIZATION OF INTANG.	0.0	0.0
DEFERRED TAXES	-2977.8	-2997.1
UNAMORT. I.T.C.	-203.4	-197.2
PRORATED G.O. RATE BASE	1930.8	2163.2
TAXES ON ADVANCES	0.2	0.3
TAXES ON C.I.A.C.	12.8	12.5
WTG. AVG. RATE BASE	49479.0	50437.5

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CALIFORNIA WATER SERVICE CO.
DOMINGUEZ SO BAY

INCOME TAX CALCULATION
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
OPERATING REVENUE (PRESENT RATES)	27,962.1	28,126.3
EXPENSES		
PURCHASED WATER	14,598.2	14,729.4
PURCHASED POWER	1,665.1	1,674.4
PUMP TAXES	1,238.8	1,238.8
CHEMICALS	119.8	120.5
PAYROLL	1,877.5	1,905.8
OTHER O & M	1,232.7	1,259.1
OTHER A & G	94.3	96.7
G.O. PRORATIONS	313.9	430.0
PAYROLL TAXES	135.7	137.8
AD VALOREM TAXES	443.5	554.7
UNCOLLECTIBLES	59.8	60.2
FRANCHISE TAX & BUS LIC. FEES	0.0	0.0
TRANSPORTATION DEPRECIATION ADJUSTMENT	-121.5	-109.7
INTEREST EXPENSE	1,831.9	1,872.7
TOTAL DEDUCTIONS	23,429.9	23,910.1
STATE INCOME TAX		
STATE TAX DEPRECIATION	1,894.1	1,897.2
NET STATE TAXIBLE INCOME	2,638.1	2,319.0
STATE CORP. FRANCHISE TAX @ 8.84%	233.2	205.0
FEDERAL INCOME TAX		
FEDERAL TAX DEPRECIATION	2,021.1	2,078.4
STATE INCOME TAX	233.2	233.2
LESS PREFERRED STOCK DIVIDEND	4.5	4.5
NET FEDERAL TAXIBLE INCOME	2,273.4	1,900.1
FEDERAL INCOME TAX @ 35.00%	795.7	665.0
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	795.7	665.0
TOTAL INCOME TAXES	1,004.1	845.1

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CALIFORNIA WATER SERVICE CO.
DOMINGUEZ SO BAY

INCOME TAX CALCULATION
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
OPERATING REVENUE (PROPOSED RATES)	30,502.5	30,913.9
EXPENSES		
PURCHASED WATER	14,598.2	14,729.4
PURCHASED POWER	1,665.1	1,674.4
PUMP TAXES	1,238.8	1,238.8
CHEMICALS	119.8	120.5
PAYROLL	1,877.5	1,905.8
OTHER O & M	1,232.7	1,259.1
OTHER A & G	94.3	96.7
G.O. PRORATIONS	313.9	430.0
PAYROLL TAXES	135.7	137.8
AD VALOREM TAXES	443.5	554.7
UNCOLLECTIBLES	65.3	66.2
FRANCHISE TAX & BUS LIC. FEES	0.0	0.0
TRANSPORTATION DEPRECIATION ADJUSTMENT	-121.5	-109.7
INTEREST EXPENSE	1,831.9	1,872.7
TOTAL DEDUCTIONS	23,429.9	23,910.1
STATE INCOME TAX		
STATE TAX DEPRECIATION	1,894.1	1,897.2
NET STATE TAXIBLE INCOME	5,178.5	5,106.6
STATE CORP. FRANCHISE TAX @ 8.84%	457.8	451.4
FEDERAL INCOME TAX		
FEDERAL TAX DEPRECIATION	2,021.1	2,078.4
STATE INCOME TAX	233.2	451.9
LESS PREFERRED STOCK DIVIDEND	4.5	4.5
NET FEDERAL TAXIBLE INCOME	4,813.8	4,469.0
FEDERAL INCOME TAX @ 35.00%	1,684.8	1,564.1
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	1,684.8	1,564.1
TOTAL INCOME TAXES	2,115.4	1,986.1

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CALIFORNIA WATER SERVICE COMPANY
DOMINGUEZ SO BAY

ADOPTED QUANTITIES

	<u>2003</u>	<u>2004</u>
	(DOLLARS IN THOUSANDS)	
PURCHASED POWER		
SUPPLIER - SCE		
Total Production (kccf)	17,314.0	17,410.6
Kwh / ccf	845.4	845.4
Total calculated KWH	14,637,216	14,718,912
Unit Cost	\$0.113757	\$0.113757
Power Cost	\$1,665,086	\$1,674,379
TOTAL PURCHASED POWER (DOLLARS IN THOUS.)	\$1,665.1	\$1,674.4

	Quantity Acre Feet	Quantity Acre Feet	Rates	\$ AMT of Charges	\$ AMT of Charges
	2003	2004		2003	2004
PURCHASED WATER					
West Basin - Tier 1	20,156.0	20,156.0	\$510.00	\$10,279.6	\$10,279.6
West Basin - Tier 2	4,217.2	4,439.1	\$591.00	\$2,492.4	\$2,623.5
City of Torrance	1,000.0	1,000.0	\$468.27	\$468.3	\$468.3
Desalter	1,000.0	1,000.0	\$409.00	\$409.0	\$409.0
LTSS / In-Liew	0.0	0.0	\$111.00	\$0.0	\$0.0
Recycled Water - Reverse Osmosis	2,468.0	2,468.0	\$533.00	\$1,315.4	\$1,315.4
Recycled Water - Nitrified	522.0	522.0	\$275.00	\$143.6	\$143.6
Recycled Water - Title 22	84.4	84.4	\$295.00	\$24.9	\$24.9
West Basin Capacity Charges				\$247.5	\$247.5
West Basin Meter Charges				\$4.3	\$4.3
City of Torrance Meter Charges				\$38.4	\$38.4
Purchased Water Offset from leasing unpumped rights				(\$825.1)	-\$825.1
TOTAL PURCHASED WATER (DOLLARS IN THOUS.)				<u>\$14,598.2</u>	<u>\$14,729.4</u>

	2003	2004
PUMP TAXES - GROUND WATER CHARGES		
COMPANY WELLS - Central Basin - Acre Feet	3300.0	3300.0
COMPANY WELLS - West Basin - Acre Feet	7000.0	7000.0
UNIT COST - Central Basin per Acre Foot	\$117.60	\$117.60
UNIT COST - West Basin per Acre Foot	\$117.60	\$117.60
Ground Water Charges - Central Basin	\$388.1	\$388.1
Ground Water Charges - West Basin	\$823.2	\$823.2
Annual Watermaster Service Charges	\$27.5	\$27.5
TOTAL GROUND WATER CHARGES - (DOLLARS IN THOUS.)	<u>\$1,238.8</u>	<u>\$1,238.8</u>

UNCOLLECTABLES RATE	0.21403%
FRANCHISE TAX RATE	0.00000%
BUSINESS LICENSE FEE RATE	0.000000
FEDERAL TAX RATE	35.00%
STATE CORP. FRANCHISE TAX	8.84%
NET TO GROSS MULTIPLIER	1.78445

ATTACHMENT D: RATESETTING APPENDICES

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California Water Service Company
Oroville District

Adopted Quantities

10. Number of Services by meter size:	2003	2004
5/8 x 3/4	2,731	2,758
3/4	-	-
1	183	184
1 1/2	34	34
2	91	92
3	14	14
4	7	7
6	4	4
8	1	1
10	-	-
TOTAL	3,065	3,094

11. Metered Sales, KCcf		
All water	1,278.5	1,286.7

12. Number of Services and Use:

	Avg Services		Use, KCcf		Avg Use, Ccf/Sv/Mo	
	2003	2004	2003	2004	2003	2004
Residential	2,238	2,262	433.3	437.9	16.1	16.1
Business	694	698	449.9	452.4	54.0	54.0
Multi-family	14	14	69.2	69.2	411.9	411.9
Industrial	15	15	220.7	220.7	1,226.1	1,226.1
Public Authority	105	106	105.4	106.4	83.7	83.7
Irrigation	10	10	205.0	205.0	1,708.3	1,708.3
Sub-Total	3,076	3,105	1,483.5	1,491.6		
Residential Flat	379	346	110.0	110.0		
Private Fire Prot.	77	80				
Public Fire Prot.	8	8				
TOTAL	3,540	3,539	1,593.5	1,601.6		
Losses, 8.00%			138.6	139.3		
Total Production			1,732.1	1,740.9		

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CALIFORNIA WATER SERVICE CO.
OROVILLE

ADOPTED RATE BASE
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
RATE BASE		
WTD. AVG. PLANT IN SERVICE	10,359.2	10,589.3
MATERIALS AND SUPPLIES	55.0	55.0
WORKING CASH - LEAD - LAG	51.0	55.5
WORKING CASH - W / H EMPLOYEES	-0.7	-0.7
WTD. AVG. DEPRECIATION RESERVE	-3,897.8	-4,080.4
ADVANCES FOR CONSTRUCTION	-133.0	-135.1
CONTRIBUTIONS	-622.8	-661.9
AMORTIZATION OF INTANG.	-5.1	-5.1
DEFERRED TAXES	-620.0	-644.9
UNAMORT. I.T.C.	-37.2	-35.7
PRORATED G.O. RATE BASE	225.5	252.6
TAXES ON ADVANCES	7.2	7.3
TAXES ON C.I.A.C.	39.2	37.5
WTG. AVG. RATE BASE	5,420.4	5,433.4

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CALIFORNIA WATER SERVICE CO.
OROVILLE

INCOME TAX CALCULATION
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
OPERATING REVENUE (PRESENT RATES)	2,524.1	2,521.8
EXPENSES		
PURCHASED WATER	71.9	71.9
PURCHASED POWER	156.9	158.5
PUMP TAXES	0.0	0.0
CHEMICALS	58.2	58.3
PAYROLL	494.1	508.9
OTHER O & M	196.0	200.0
OTHER A & G	47.9	48.9
G.O. PRORATIONS	405.0	432.0
PAYROLL TAXES	35.7	36.3
AD VALOREM TAXES	55.8	56.5
UNCOLLECTIBLES	12.5	12.5
FRANCHISE TAX & BUS LIC. FEES	0.0	0.0
TRANSPORTATION DEPRECIATION ADJUSTMENT	-18.1	-16.4
INTEREST EXPENSE	194.6	194.0
TOTAL DEDUCTIONS	1,698.1	1,748.9
STATE INCOME TAX		
STATE TAX DEPRECIATION	296.4	297.5
NET STATE TAXIBLE INCOME	529.6	475.4
STATE CORP. FRANCHISE TAX @ 8.84%	46.8	42.0
FEDERAL INCOME TAX		
FEDERAL TAX DEPRECIATION	198.6	230.3
STATE INCOME TAX	46.8	46.8
LESS PREFERRED STOCK DIVIDEND	0.9	0.9
NET FEDERAL TAXIBLE INCOME	579.7	494.9
FEDERAL INCOME TAX @ 35.00%	202.9	173.2
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	202.9	173.2
TOTAL INCOME TAXES	244.6	210.1

**ATTACHMENT D:
RATESETTING APPENDICES**

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CALIFORNIA WATER SERVICE CO.
OROVILLE

INCOME TAX CALCULATION
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
OPERATING REVENUE (PROPOSED RATES)	2,369.4	2,416.1
EXPENSES		
PURCHASED WATER	71.9	71.9
PURCHASED POWER	156.9	158.5
PUMP TAXES	0.0	0.0
CHEMICALS	58.2	58.3
PAYROLL	494.1	508.9
OTHER O & M	196.0	200.0
OTHER A & G	47.9	48.9
G.O. PRORATIONS	405.0	432.0
PAYROLL TAXES	35.7	36.3
AD VALOREM TAXES	55.8	56.5
UNCOLLECTIBLES	11.8	12.0
FRANCHISE TAX & BUS LIC. FEES	0.0	0.0
TRANSPORTATION DEPRECIATION ADJUSTMENT	-18.1	-16.4
INTEREST EXPENSE	194.6	194.0
TOTAL DEDUCTIONS	1,698.1	1,748.9
STATE INCOME TAX		
STATE TAX DEPRECIATION	296.4	297.5
NET STATE TAXIBLE INCOME	374.9	369.7
STATE CORP. FRANCHISE TAX @ 8.84%	33.1	32.7
FEDERAL INCOME TAX		
FEDERAL TAX DEPRECIATION	198.6	230.3
STATE INCOME TAX	46.8	32.1
LESS PREFERRED STOCK DIVIDEND	0.9	0.9
NET FEDERAL TAXIBLE INCOME	425.0	403.9
FEDERAL INCOME TAX @ 35.00%	148.7	141.4
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	148.7	141.4
TOTAL INCOME TAXES	177.1	168.7

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CALIFORNIA WATER SERVICE COMPANY
OROVILLE

ADOPTED QUANTITIES

	<u>2003</u>	<u>2004</u>
	(DOLLARS IN THOUSANDS)	
PURCHASED POWER		
SUPPLIER - PG&E		
Total Production (kccf)	1,732.1	1,741.0
Kwh / ccf	552.2	552.2
Total calculated KWH	956,467	961,389
Unit Cost	\$0.1641	\$0.1649
Power Cost	\$156,935	\$158,505
TOTAL PURCHASED POWER (DOLLARS IN THOUS.)	\$156.9	\$158.5
PURCHASED WATER		
SUPPLIER - COUNTY OF BUTTE (STATE WATER)		
PURCHASED WATER PRODUCTION - KCCF	1,657.4	1,666.3
PURCHASED WATER PRODUCTION - A.F.	1,000.0	1,000.0
COST OF COUNTY OF BUTTE (STATE WATER)	\$35,250.00	\$35,250.00
PG&E CANAL WATER FIXED CHARGES	\$32,400.00	\$32,400.00
UNION PACIFIC LEASED WELL	\$4,200.00	\$4,200.00
TOTAL PURCHASED WATER (DOLLARS IN THOUS.)	\$71.9	\$71.9
UNCOLLECTABLES RATE		0.49599%
FRANCHISE TAX RATE		0.00000%
BUSINESS LICENSE FEE RATE		0.00000%
FEDERAL TAX RATE		35.00%
STATE CORP. FRANCHISE TAX		8.84%
NET TO GROSS MULTIPLIER		1.78950

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California Water Service Company
Palos Verdes District

Adopted Quantities

10. Number of Services by meter size:	2003	2004
5/8 x 3/4	18,245	18,290
3/4	-	-
1	3,701	3,710
1 1/2	1,051	1,053
2	632	634
3	44	44
4	19	19
6	14	14
8	6	6
10	-	-
TOTAL	23,712	23,770

11. Metered Sales, KCcf		
Potable	9,615.5	9,643.8

12. Number of Services and Use:

	Avg Services		Use, KCcf		Avg Use, Ccf/Sv/Mo	
	2003	2004	2003	2004	2003	2004
Residential	22,821	22,876	7,542.3	7,560.5	27.5	27.5
Business	494	497	813.1	818.1	137.2	137.2
Multi-family	144	144	305.2	305.2	176.6	176.6
Industrial	12	12	9.3	9.3	64.6	64.6
Public Authority	211	213	405.4	409.2	160.1	160.1
Other	30	30	107.5	107.5	298.6	298.6
Sub-Total	23,712	23,772	9,182.8	9,209.8		
Private Fire Prot.	128	129				
Public Fire Prot.	6	6				
TOTAL	23,846	23,907	9,182.8	9,209.8		
Losses, 4.50%			432.7	434.0		
Total Production			9,615.5	9,643.8		

**ATTACHMENT D:
RATESETTING APPENDICES**

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CALIFORNIA WATER SERVICE CO.
PALOS VERDES

ADOPTED RATE BASE
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
RATE BASE		
WTD. AVG. PLANT IN SERVICE	51,912.0	53,080.9
MATERIALS AND SUPPLIES	210.3	210.3
WORKING CASH - LEAD - LAG	-335.4	-307.5
WORKING CASH - W / H EMPLOYEES	-4.5	-4.5
WTD. AVG. DEPRECIATION RESERVE	-21,888.9	-22,991.7
ADVANCES FOR CONSTRUCTION	-1,627.7	-1,600.8
CONTRIBUTIONS	-1,510.7	-1,504.0
AMORTIZATION OF INTANG.	-1.4	-1.4
DEFERRED TAXES	-3,255.7	-3,351.6
UNAMORT. I.T.C.	-239.6	-230.6
PRORATED G.O. RATE BASE	1,383.9	1,550.5
TAXES ON ADVANCES	150.1	145.5
TAXES ON C.I.A.C.	68.4	62.0
WTG. AVG. RATE BASE	24,860.8	25,057.2

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CALIFORNIA WATER SERVICE CO.
PALOS VERDES

INCOME TAX CALCULATION
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
OPERATING REVENUE (PRESENT RATES)	23,389.4	23,457.8
EXPENSES		
PURCHASED WATER	11,560.4	11,593.5
PURCHASED POWER	3,248.8	3,255.1
PUMP TAXES	0.0	0.0
CHEMICALS	0.0	0.0
PAYROLL	1,420.8	1,442.0
OTHER O & M	914.4	928.9
OTHER A & G	93.7	95.6
G.O. PRORATIONS	2,486.6	2,651.9
PAYROLL TAXES	102.7	104.3
AD VALOREM TAXES	234.8	236.6
UNCOLLECTIBLES	3.7	3.7
FRANCHISE TAX & BUS LIC. FEES	225.7	226.3
TRANSPORTATION DEPRECIATION ADJUSTMENT	-65.6	-55.9
INTEREST EXPENSE	909.5	918.2
TOTAL DEDUCTIONS	21,141.4	21,406.0
STATE INCOME TAX		
STATE TAX DEPRECIATION	1,352.9	1,368.0
NET STATE TAXIBLE INCOME	895.1	683.8
STATE CORP. FRANCHISE TAX @ 8.84%	79.1	60.4
FEDERAL INCOME TAX		
FEDERAL TAX DEPRECIATION	982.1	1,107.3
STATE INCOME TAX	79.1	79.1
LESS PREFERRED STOCK DIVIDEND	4.2	4.2
NET FEDERAL TAXIBLE INCOME	1,182.6	861.2
FEDERAL INCOME TAX @ 35.00%	413.9	301.4
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	413.9	301.4
TOTAL INCOME TAXES	493.0	361.8

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CALIFORNIA WATER SERVICE CO.
PALOS VERDES

INCOME TAX CALCULATION
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
OPERATING REVENUE (PROPOSED RATES)	24,569.3	24,738.2
EXPENSES		
PURCHASED WATER	11,560.4	11,593.5
PURCHASED POWER	3,248.8	3,255.1
PUMP TAXES	0.0	0.0
CHEMICALS	0.0	0.0
PAYROLL	1,420.8	1,442.0
OTHER O & M	914.3	928.7
OTHER A & G	93.7	95.6
G.O. PRORATIONS	2,486.6	2,651.9
PAYROLL TAXES	102.7	104.3
AD VALOREM TAXES	234.8	236.6
UNCOLLECTIBLES	3.8	3.9
FRANCHISE TAX & BUS LIC. FEES	237.1	238.7
TRANSPORTATION DEPRECIATION ADJUSTMENT	-65.6	-55.9
INTEREST EXPENSE	909.5	918.2
TOTAL DEDUCTIONS	21,152.9	21,418.6
STATE INCOME TAX		
STATE TAX DEPRECIATION	1,352.9	1,368.0
NET STATE TAXIBLE INCOME	2,063.5	1,951.6
STATE CORP. FRANCHISE TAX @ 8.84%	182.4	172.5
FEDERAL INCOME TAX		
FEDERAL TAX DEPRECIATION	982.1	1,107.3
STATE INCOME TAX	79.1	182.4
LESS PREFERRED STOCK DIVIDEND	4.2	4.2
NET FEDERAL TAXIBLE INCOME	2,351.0	2,025.7
FEDERAL INCOME TAX @ 35.00%	822.8	709.0
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	822.8	709.0
TOTAL INCOME TAXES	1,005.2	881.5

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CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES

ADOPTED QUANTITIES

	<u>2003</u>	<u>2004</u>
	(DOLLARS IN THOUSANDS)	
PURCHASED POWER		
SUPPLIER - PG&E		
Total Production (kccf)	9,615.5	9,643.8
Kwh / ccf	2,779.5	2,779.5
Total calculated KWH	26,725,910	26,804,491
Unit Cost	\$0.121560	\$0.121438
Power Cost	\$3,248,807	\$3,255,088
TOTAL PURCHASED POWER (DOLLARS IN THOUS.)	\$3,248.8	\$3,255.1
PURCHASED WATER		
SUPPLIER - WEST BASIN MUNICIPAL WATER DISTRICT		
PURCHASED WATER PRODUCTION - KCCF	9,615.5	9,643.8
PURCHASED WATER PRODUCTION - A.F.	22,074.3	22,139.2
UNIT COST OF W.B.M.W.D. RATES - A.F.	\$510.00	\$510.00
W.B.M.W.D. CAPACITY CHARGES	\$302,500	\$302,500
QUANTITY CHARGES	\$11,257,893	\$11,290,992
TOTAL PURCHASED WATER (DOLLARS IN THOUS.)	\$11,560.4	\$11,593.5
UNCOLLECTABLES RATE		0.01566%
FRANCHISE TAX RATE		0.96490%
BUSINESS LICENSE FEE RATE		0.0000941
FEDERAL TAX RATE		35.00%
STATE CORP. FRANCHISE TAX		8.84%
NET TO GROSS MULTIPLIER		1.79843

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California Water Service Company
Selma District

Adopted Quantities

10. Number of Services by meter size:	2003	2004
5/8 x 3/4	2,255	2,364
3/4	-	-
1	193	198
1 1/2	64	66
2	131	133
3	22	22
4	8	8
6	2	2
8	2	2
10	-	-
TOTAL	2,677	2,795

11. Metered Sales, KCcf		
Potable	2,806.4	2,854.7

12. Number of Services and Use:

	Avg Services		Use, KCcf		Avg Use, Ccf/Sv/Mo	
	2003	2004	2003	2004	2003	2004
Residential	2,047	2,155	619.4	652.1	25.2	25.2
Business	467	473	314.6	318.6	56.1	56.1
Multi-family	42	43	170.7	174.8	338.7	338.8
Industrial	20	20	66.9	66.9	278.8	278.8
Public Authority	94	97	111.1	114.6	98.5	98.5
Other	7	7	5.6	5.6	66.7	66.7
Sub-Total	2,677	2,795	1,288.3	1,332.6		
Residential Flat	2,787	2,779	1,293.7	1,293.7		
Private Fire Prot.	67	69				
Public Fire Prot.	8	8				
TOTAL	5,539	5,651	2,582.0	2,626.3		
Losses, 8.00%			224.5	228.4		
Total Production			2,806.5	2,854.7		

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CALIFORNIA WATER SERVICE CO.
SELMA

ADOPTED RATE BASE
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
RATE BASE		
WTD. AVG. PLANT IN SERVICE	12,052.5	12,773.2
MATERIALS AND SUPPLIES	33.4	33.4
WORKING CASH - LEAD - LAG	-39.6	-37.6
WORKING CASH - W / H EMPLOYEES	-0.7	-0.7
WTD. AVG. DEPRECIATION RESERVE	-3,190.5	-3,453.2
ADVANCES FOR CONSTRUCTION	-2,372.4	-2,412.5
CONTRIBUTIONS	-862.4	-1,051.5
AMORTIZATION OF INTANG.	-21.2	-21.2
DEFERRED TAXES	-848.0	-893.2
UNAMORT. I.T.C.	-27.9	-27.0
PRORATED G.O. RATE BASE	217.5	243.8
TAXES ON ADVANCES	256.4	251.9
TAXES ON C.I.A.C.	85.5	82.1
WTG. AVG. RATE BASE	5,282.5	5,487.5

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CALIFORNIA WATER SERVICE CO.
SELMA

INCOME TAX CALCULATION
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
OPERATING REVENUE (PRESENT RATES)	2,252.5	2,292.1
EXPENSES		
PURCHASED WATER	0.0	0.0
PURCHASED POWER	331.5	337.2
PUMP TAXES	12.3	12.3
CHEMICALS	13.1	13.2
PAYROLL	338.8	343.9
OTHER O & M	201.2	205.6
OTHER A & G	40.4	41.2
G.O. PRORATIONS	391.1	416.9
PAYROLL TAXES	24.5	24.9
AD VALOREM TAXES	51.9	55.7
UNCOLLECTIBLES	2.0	2.0
FRANCHISE TAX & BUS LIC. FEES	0.0	0.0
TRANSPORTATION DEPRECIATION ADJUSTMENT	-11.3	-9.7
INTEREST EXPENSE	189.6	198.6
TOTAL DEDUCTIONS	1,583.1	1,639.8
STATE INCOME TAX		
STATE TAX DEPRECIATION	405.7	413.8
NET STATE TAXIBLE INCOME	263.7	238.5
STATE CORP. FRANCHISE TAX @ 8.84%	23.3	21.1
FEDERAL INCOME TAX		
FEDERAL TAX DEPRECIATION	268.6	314.4
STATE INCOME TAX	23.3	23.3
LESS PREFERRED STOCK DIVIDEND	0.8	0.8
NET FEDERAL TAXIBLE INCOME	376.7	313.8
FEDERAL INCOME TAX @ 35.00%	131.9	109.8
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	131.9	109.8
TOTAL INCOME TAXES	154.1	129.8

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CALIFORNIA WATER SERVICE CO.
SELMA

INCOME TAX CALCULATION
(DOLLARS IN THOUSANDS)

	<u>2003</u>	<u>2004</u>
OPERATING REVENUE (PROPOSED RATES)	2,259.1	2,325.1
EXPENSES		
PURCHASED WATER	0.0	0.0
PURCHASED POWER	331.5	337.2
PUMP TAXES	12.3	12.3
CHEMICALS	13.1	13.2
PAYROLL	338.8	343.9
OTHER O & M	201.2	205.6
OTHER A & G	40.4	41.2
G.O. PRORATIONS	391.1	416.9
PAYROLL TAXES	24.5	24.9
AD VALOREM TAXES	51.9	55.7
UNCOLLECTIBLES	2.0	2.1
FRANCHISE TAX & BUS LIC. FEES	0.0	0.0
TRANSPORTATION DEPRECIATION ADJUSTMENT	-11.3	-9.7
INTEREST EXPENSE	189.6	198.6
TOTAL DEDUCTIONS	1,583.1	1,639.8
STATE INCOME TAX		
STATE TAX DEPRECIATION	405.7	413.8
NET STATE TAXIBLE INCOME	270.3	271.5
STATE CORP. FRANCHISE TAX @ 8.84%	23.9	24.0
FEDERAL INCOME TAX		
FEDERAL TAX DEPRECIATION	268.6	314.4
STATE INCOME TAX	23.3	23.4
LESS PREFERRED STOCK DIVIDEND	0.8	0.8
NET FEDERAL TAXIBLE INCOME	383.3	346.7
FEDERAL INCOME TAX @ 35.00%	134.2	121.3
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	134.2	121.3
TOTAL INCOME TAXES	157.0	144.2

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CALIFORNIA WATER SERVICE COMPANY
SELMA

ADOPTED QUANTITIES

	<u>2003</u>	<u>2004</u>
	(DOLLARS IN THOUSANDS)	
PURCHASED POWER		
SUPPLIER - PG&E		
Total Production (kccf)	2,806.4	2,854.7
Kwh / ccf	750.6	750.6
Total calculated KWH	2,106,489	2,142,713
Unit Cost	\$0.157373	\$0.157373
Power Cost	\$331,504	\$337,205
TOTAL PURCHASED POWER (DOLLARS IN THOUS.)	\$331.5	\$337.2
PURCHASED WATER		
SUPPLIER - WEST BASIN MUNICIPAL WATER DISTRICT		
PURCHASED WATER PRODUCTION - KCCF	0.0	0.0
PURCHASED WATER PRODUCTION - A.F.	0.0	0.0
UNIT COST OF W.B.M.W.D. RATES - A.F.	\$0.00	\$0.00
W.B.M.W.D. FIXED ANNUAL METER CHARGES	\$0	\$0
QUANTITY CHARGES	\$0	\$0
TOTAL PURCHASED WATER (DOLLARS IN THOUS.)	\$0.0	\$0.0
UNCOLLECTABLES RATE		0.08821%
FRANCHISE TAX RATE		0.00000%
BUSINESS LICENSE FEE RATE		0.000000
FEDERAL TAX RATE		35.00%
STATE CORP. FRANCHISE TAX		8.84%
NET TO GROSS MULTIPLIER		1.78220

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Schedule No. DOM-1
Dominguez Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Carson, Los Angeles, Long Beach, Torrance, and vicinity, Los Angeles County.

RATES

Quantity Rates:

Per 100 cu. ft.	\$ 1.4827	(I)
Per Meter		

Service Charge:

		<u>Per Month</u>
For 5/8 x 3/4-inch meter	\$ 6.70	(I)
For 3/4-inch meter	10.05	(N)
For 1-inch meter	16.75	{I}
For 1-1/2-inch meter	33.45	
For 2-inch meter	53.55	
For 3-inch meter	100.35	
For 4-inch meter	167.25	
For 6-inch meter	334.50	
For 8-inch meter	535.20	
For 10-inch meter	769.35	
For 12-inch meter	1,103.85	
For 14-inch meter	1,505.25	
For 16-inch meter	1,906.65	
For 18-inch meter	2,308.05	(N)

SPECIAL CONDITIONS

1. Due to an over-collection in the balancing account, a surcredit of \$0.0510 per 100 cu.ft. of water used is to be applied to the quantity rates for twelve months beginning June 6, 2003, the effective date of AL 1545-A.
2. The rates approved by Advice Letter No. 1593-A are subject to refund and may be adjusted depending on the final rates granted in A. 03-01-034 back to October 30, 2003.
3. All bills are subject to the reimbursement fees set forth on Schedule Nos. UF and DHS-1.

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Schedule No. DOM-RC-1

Dominguez Tariff Area

METERED RECYCLED WATER SERVICE

APPLICABILITY

Applicable to all metered recycled water service.

TERRITORY

Portions of Carson, Los Angeles, Long Beach, Torrance, and vicinity, Los Angeles County.

RATES

Quantity Rates:

Title 22 Water

First 21,780 Ccf (per 100 cu. ft.)	\$ 0.8244
Next 65,340 Ccf (per 100 cu. ft.)	\$ 0.7326
Over 87,120 Ccf (per 100 cu. ft.)	\$ 0.6408
R.O. Water (per 100 cu. ft.)	\$ 1.3892
Nitrified water (per 100 cu. ft.)	\$ 0.7785

Per Meter

Service Charge:

	<u>Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 6.70	(I)
For 3/4-inch meter	10.05	(N)
For 1-inch meter	16.75	(I)
For 1-1/2-inch meter	33.45	
For 2-inch meter	53.55	
For 3-inch meter	100.35	
For 4-inch meter	167.25	
For 6-inch meter	334.50	
For 8-inch meter	535.20	
For 10-inch meter	769.35	
For 12-inch meter	1,103.85	
For 14-inch meter	1,505.25	
For 16-inch meter	1,906.65	
For 18-inch meter	2,308.05	(N)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fees set forth on Schedule Nos. UF and DHS-1.
2. Recycled water service refers to non-potable water that has been processed and treated by one of the following methods:
 - a. Title 22 Water refers to wastewater that has undergone tertiary treatment that meets recycled water use standards as established in Title 22 of the California Code of Regulations, Division 4 Environmental Health, Chapter 3 Reclamation Criteria, Articles 1 through 10.

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- b. R.O. Water refers to Title 22 Water that has further undergone reverse osmosis treatment to remove salts and dissolved solids.
- c. Nitrified Water refers to Title 22 Water that has further undergone a biological treatment and processing for removal of ammonia.
3. A Recycled Water Memorandum Account has been established to track under/over collections associated with the purchase and sale of recycled water. This account will include all charges from West Basin Municipal Water District not included in the current recycled rate, as well as the lower cost of water derived from charges and billings under West Basin's declining block structure and the Company's declining block structure. West Basin Municipal Water District credits not credited directly to a customer will be credited to this account and will offset future rate increases for recycled water customers. This account will be reconciled at least annually on or about the date when West Basin Municipal Water District changes its rates.
4. The rates approved by Advice Letter No. 1593-A are subject to refund and may be adjusted depending on the final rates granted in A. 03-01-034 back to October 30, 2003.

Dominguez Tariff Area

Each of the following rate increases may be put into effect on January 1 of the year indicated by filing an advice letter to add the appropriate rate increase to the rates in effect at that time.

Schedule No. DOM-1

Quantity Rates:	<u>2004</u>	<u>2005</u>	<u>2006</u>
Per 100 cu. ft.	\$ 0.0115	\$ 0.0116	\$ 0.0116
Per Meter			
Service Charge:		<u>Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 0.05	\$ 0.05	\$ 0.05
For 3/4-inch meter	0.10	0.05	0.10
For 1-inch meter	0.15	0.10	0.15
For 1-1/2-inch meter	0.30	0.25	0.25
For 2-inch meter	0.45	0.40	0.40
For 3-inch meter	0.90	0.75	0.75
For 4-inch meter	1.50	1.25	1.25
For 6-inch meter	3.00	2.50	2.50
For 8-inch meter	4.80	4.00	4.00
For 10-inch meter	6.90	5.75	5.75
For 12-inch meter	9.90	8.25	8.25
For 14-inch meter	13.50	11.25	11.25
For 16-inch meter	17.10	14.25	14.25

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For	18-inch meter	20.70	17.25	17.25
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Schedule No. DOM-RC-1

Quantity Rates: Title 22 Water	<u>2004</u>	<u>2005</u>	<u>2006</u>
First 21,780 Ccf (per 100 cu. ft.)	\$ 0.0115	\$ 0.0116	\$ 0.0116
Next 65,340 Ccf (per 100 cu. ft.)	0.0115	0.0116	0.0116
Over 87,120 Ccf (per 100cu. ft.)	0.0115	0.0116	0.0116
R.O. Water (per 100 cu. ft.)	0.0115	0.0116	0.0116
Nitrified water (per 100 cu. ft.)	0.0115	0.0116	0.0116

Service Charge:	Per Meter		
	<u>Per Month</u>		
For 5/8 x 3/4-inch meter	\$ 0.05	\$ 0.05	\$ 0.05
For 3/4-inch meter	0.10	0.05	0.10
For 1-inch meter	0.15	0.10	0.15
For 1-1/2-inch meter	0.30	0.25	0.25
For 2-inch meter	0.45	0.40	0.40
For 3-inch meter	0.90	0.75	0.75
For 4-inch meter	1.50	1.25	1.25
For 6-inch meter	3.00	2.50	2.50
For 8-inch meter	4.80	4.00	4.00
For 10-inch meter	6.90	5.75	5.75
For 12-inch meter	9.90	8.25	8.25
For 14-inch meter	13.50	11.25	11.25
For 16-inch meter	17.10	14.25	14.25
For 18-inch meter	20.70	17.25	17.25

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Schedule No. OR-1
Oroville Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Oroville and vicinity, Butte County.

RATES

Quantity Rates:

Per 100 cu. ft. \$ 1.0304 (R

Service Charge:	Per Meter	
	<u>Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 16.32	(I)
For 3/4-inch meter	24.50	(N)
For 1-inch meter	28.39	(I)
For 1-1/2-inch meter	57.46	
For 2-inch meter	73.15	
For 3-inch meter	135.98	
For 4-inch meter	187.46	
For 6-inch meter	307.74	
For 8-inch meter	458.35	
For 10-inch meter	1,876.80	
For 12-inch meter	2,692.93	
For 14-inch meter	3,672.18	(I)

SPECIAL CONDITIONS

1. The rates approved by Advice Letter No. 1594-A are subject to refund and may be adjusted depending on the final rates granted in A. 03-01-034 back to October 30, 2003.
2. All bills are subject to the reimbursement fees set forth on Schedule Nos. UF and DHS-1.

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Schedule No. OR-2R

Oroville Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Oroville and vicinity, Butte County.

RATES

For a single-family residential unit, including premises Per service connection
having the following areas: _____ per month

6,000 sq. ft., or less.....	\$ 41.05	(R)
6,001 to 10,000 sq. ft.	\$ 48.45	
10,001 to 16,000 sq. ft.	\$ 59.65	
16,001 to 25,000 sq. ft.	\$ 74.45	(R)

For each additional single-family residential unit on the same premises and served from the
same service connection \$28.95 (R)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. OR-1, General Metered Service.
4. This Schedule is closed to all new connections as of January 20, 1992, the effective date of Tariff Sheet 4336-W.
5. The rates approved by Advice Letter No. 1594-A are subject to refund and may be adjusted depending on the final rates granted in A. 03-01-034 back to October 30, 2003.
6. All bills are subject to the reimbursement fee set forth on Schedule Nos. UF and DHS-1.

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Schedule No. OR-3M

Oroville Tariff Area

IRRIGATION SERVICE

APPLICABILITY

Applicable to service of untreated water from the Powers Canal to irrigation districts and to irrigation or mining ditches, for uses including but not limited to the irrigation of vineyards, orchards and pasture lands.

TERRITORY

Lands located along the Powers Canal, between Coal Canyon Powerhouse and Cherokee Reservoir, north of the City of Oroville, Butte County.

RATES

Per Miner's Inch Day

For all water delivered..... \$ 1.26 (R)

SPECIAL CONDITIONS

1. A miner's inch day is defined as the quantity of water equal to 1/40 of a cubic foot per second flowing continuously for a period of 24 hours.
2. The rates approved by Advice Letter No. 1594-A are subject to refund and may be adjusted depending on the final rates granted in A. 03-01-034 back to October 30, 2003.
3. All bills are subject to the reimbursement fees set forth on Schedule Nos. UF and DHS-1.

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Schedule No. OR-2UL

Oroville Tariff Area

LIMITED FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Oroville and vicinity, Butte County.

RATES

	<u>Per Month</u>	
Alex Kosloff	\$ 13.50	(R)

SPECIAL CONDITIONS

1. Service under this schedule is limited to the above service, which was being furnished as of January 1, 1955.
2. The rates approved by Advice Letter No. 1594-A are subject to refund and may be adjusted depending on the final rates granted in A. 03-01-034 back to October 30, 2003.
3. All bills are subject to the reimbursement fees set forth on Schedule Nos. UF and DHS-1.

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Oroville Tariff Area

Each of the following rate increases may be put into effect on January 1 of the year indicated by filing an advice letter to add the appropriate rate increase to the rates in effect at that time.

Schedule No. OR-1

Quantity Rates:	<u>2004</u>	<u>2005</u>	<u>2006</u>
Per 100 cu. ft.	\$ 0.0305	\$ 0.0247	\$ 0.0248
Per Meter			
Service Charge:	<u>Per Month</u>		
For 5/8 x 3/4-inch meter	\$ 0.03	\$ 0.05	\$ 0.05
For 3/4-inch meter	0.05	0.05	0.10
For 1-inch meter	0.56	0.55	0.50
For 1-1/2-inch meter	1.09	1.15	1.05
For 2-inch meter	1.40	1.45	1.50
For 3-inch meter	2.62	2.70	2.70
For 4-inch meter	3.64	3.65	3.75
For 6-inch meter	5.91	6.10	6.25
For 8-inch meter	8.80	9.10	9.25
For 10-inch meter	3.45	5.75	5.75
For 12-inch meter	4.82	8.25	8.25
For 14-inch meter	6.57	11.25	11.25

Schedule No. OR-2R

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Per service connection			
Service Charge:	<u>Per Month</u>		
6,000 sq. ft., or less.....	\$ 0.80	\$ 0.75	\$0.70
6,001 to 10,000 sq. ft.	1.00	0.85	0.85
10,001 to 16,000 sq. ft.	1.20	1.05	1.00
16,001 to 25,000 sq. ft.	1.45	1.30	1.30
For each additional single-family residential unit on the same premises and served from the same service connection	\$ 0.55	0.50	0.55

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Schedule No. OR-3M

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Quantity Charge:	<u>Per Miner's Inch Day</u>		
For all water served	\$ 0.0248	\$ 0.0219	\$ 0.0219

Schedule No. OR-2UL

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Service Charge:	<u>Per Month</u>		
Alex Kosloff	\$ 0.27	\$ 0.23	\$ 0.24

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Schedule No. PV-1

Palos Verdes Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Palos Verdes Estate, Rolling Hills, Rolling Hills Estates, Lomita, Rancho
Palos Verdes and vicinity, Los Angeles County.

RATES

Quantity Rates:

Per 100 cu. ft. \$ 2.2348

Service Charge:	Per Meter	
	<u>Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 9.50	(I)
For 3/4-inch meter	14.25	(N)
For 1-inch meter	21.00	(I)
For 1-1/2-inch meter	36.50	
For 2-inch meter	46.40	
For 3-inch meter	87.00	
For 4-inch meter	142.25	
For 6-inch meter	262.25	
For 8-inch meter	411.00	
For 10-inch meter	695.00	
For 12-inch meter	1,567.50	(N)
For 14-inch meter	2,137.50	(N)

SPECIAL CONDITIONS

1. Due to an over-collection in the balancing account, a surcredit of \$0.0510 per 100 cu.ft. of water used is to be applied to the quantity rates for twelve months beginning June 6, 2003, the effective date of AL 1545-A.
2. The rates approved by Advice Letter No. 1593-A are subject to refund and may be adjusted depending on the final rates granted in A. 03-01-034 back to October 30, 2003.
3. All bills are subject to the reimbursement fees set forth on Schedule Nos. UF and DHS-1.

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Palos Verdes Tariff Area

Each of the following rate increases may be put into effect on January 1 of the year indicated by filing an advice letter to add the appropriate rate increase to the rates in effect at that time.

Schedule No. PV-1

Quantity Rates:	<u>2004</u>	<u>2005</u>	<u>2006</u>
Per 100 cu. ft.	\$ 0.0041	\$ 0.0048	\$ 0.0045
Service Charge:	<div>Per Meter Per Month</div>		
For 5/8 x 3/4-inch meter	\$ 0.10	\$ 0.05	\$ 0.05
For 3/4-inch meter	0.15	0.10	0.05
For 1-inch meter	0.40	0.40	0.45
For 1-1/2-inch meter	0.75	0.75	0.75
For 2-inch meter	0.95	0.95	1.00
For 3-inch meter	1.80	1.80	1.90
For 4-inch meter	2.95	3.00	3.05
For 6-inch meter	5.50	5.55	5.70
For 8-inch meter	8.50	8.70	8.85
For 10-inch meter	14.25	14.65	14.95
For 12-inch meter	16.50	8.25	8.25
For 14-inch meter	22.50	11.25	11.25

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Schedule No. SL-1

Selma Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Selma and vicinity, Fresno County.

RATES

Quantity Rates:

Per 100 cu. ft. \$ 0.5821

Service Charge:	Per Meter	
	<u>Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 10.12	(I)
For 3/4-inch meter	15.18	(N)
For 1-inch meter	16.82	(I)
For 1-1/2-inch meter	27.69	
For 2-inch meter	36.18	
For 3-inch meter	66.41	
For 4-inch meter	90.07	
For 6-inch meter	151.91	
For 8-inch meter	225.77	
For 10-inch meter	1,163.80	
For 12-inch meter	1,669.80	
For 14-inch meter	2,277.00	(I)

SPECIAL CONDITIONS

1. Due to the under-collection in the balancing account, a surcharge of \$0.0303 per 100 cu. ft. of water used is to be applied to the quantity rates for 24 months from May 13, 2003, the effective date of Advice Letter No. 1533.
2. New service connections may be subject to a facilities fee as detailed under Rule 15.
3. The rates approved by Advice Letter No. 1595-A are subject to refund and may be adjusted depending on the final rates granted in A. 03-01-034 back to October 30, 2003.
4. All bills are subject to the reimbursement fee set forth on Schedule Nos. UF and DHS-1.

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Schedule No. SL-2R

Selma Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Selma and vicinity, Fresno County.

RATES

For a single-family residential unit, including premises Per service connection
having the following areas: per month

6,000 sq. ft., or less.....	\$ 24.45	(I)
6,001 to 10,000 sq. ft.	\$ 29.35	
10,001 to 16,000 sq. ft.	\$ 36.65	
16,001 to 25,000 sq. ft.	\$ 46.85	(I)

For each additional single-family residential unit on the same premises and served from
the same service connection \$17.60 (I)

SPECIAL CONDITIONS

1. Due to the under-collection in the balancing account, a surcharge of \$1.0678 per service connection will be applied to each bill for 24 months from May 13, 2003, the effective date of Advice Letter No. 1533.
2. The above flat rates apply to service connections not larger than one inch in diameter.
3. All service not covered by the above classifications shall be furnished only on a metered basis.
4. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. SL-1, General Metered Service.
5. This Schedule is closed to all new connections as of January 20, 1992, the effective date of Tariff Sheet 4338-W.
6. The rates approved by Advice Letter No. 1595-A are subject to refund and may be adjusted depending on the final rates granted in A. 03-01-034 back to October 30, 2003.
7. All bills are subject to the reimbursement fee set forth on Schedule No. UF and DHS-1.

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Selma Tariff Area

Each of the following rate increases may be put into effect on January 1 of the year indicated by filing an advice letter to add the appropriate rate increase to the rates in effect at that time.

Schedule No. SL-1

Quantity Rates:	<u>2004</u>	<u>2005</u>	<u>2006</u>
Per 100 cu. ft.	\$ 0.0112	\$ 0.0065	\$ 0.0065
Service Charge:	<div>Per Meter</div> <hr/> <div>Per Month</div>		
For 5/8 x 3/4-inch meter	\$ 0.01	\$ 0.01	\$ 0.01
For 3/4-inch meter	0.02	0.02	0.02
For 1-inch meter	0.18	0.15	0.15
For 1-1/2-inch meter	0.31	0.25	0.25
For 2-inch meter	0.82	0.35	0.35
For 3-inch meter	1.59	0.50	0.60
For 4-inch meter	2.43	0.85	0.85
For 6-inch meter	4.34	1.40	1.35
For 8-inch meter	6.48	2.10	2.15
For 10-inch meter	1.15	1.15	1.15
For 12-inch meter	1.65	1.65	1.65
For 14-inch meter	2.25	2.25	2.25

Schedule No. SL-2R

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Service Charge:	<div>Per service connection</div> <hr/> <div>Per Month</div>		
6,000 sq. ft., or less.....	\$ 0.20	\$ 0.20	\$ 0.20
6,001 to 10,000 sq. ft.	0.25	0.25	0.25
10,001 to 16,000 sq. ft.	0.30	0.30	0.30
16,001 to 25,000 sq. ft.	0.40	0.40	0.40
For each additional single-family residential unit on the same premises and served from the same service connection	\$ 0.15	0.15	0.15

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California Water Service Company
Dominguez-South Bay District Bill Comparison

2003 Rates

Usage Ccf		Present Rates	Adopted Rates	Increase Amount	Percent Increase
0		\$ 5.21	\$ 6.70	\$ 1.49	28.60%
5		\$ 12.18	\$ 14.11	\$ 1.93	15.85%
10		\$ 19.15	\$ 21.53	\$ 2.38	12.43%
15	Avg	\$ 26.11	\$ 28.94	\$ 2.83	10.84%
20		\$ 33.08	\$ 36.35	\$ 3.27	9.89%
25		\$ 40.05	\$ 43.77	\$ 3.72	9.29%

2004 Rates

Usage Ccf		2003 Rates	2004 Rates	Increase Amount	Percent Increase
0		\$ 6.70	\$ 6.75	\$ 0.05	0.75%
5		\$ 14.11	\$ 14.22	\$ 0.11	0.78%
10		\$ 21.53	\$ 21.69	\$ 0.16	0.74%
15	Avg	\$ 28.94	\$ 29.16	\$ 0.22	0.76%
20		\$ 36.35	\$ 36.63	\$ 0.28	0.77%
25		\$ 43.77	\$ 44.11	\$ 0.34	0.78%

* Metered comparison based on 5/8 x 3/4 inch service

Note: Rates do not include franchise fees or other surcharges that may appear on customers bills. Present rates reflect the rates in effect before application of Advice Letter 1592-A, which implemented an interim rate increase in this proceeding.

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California Water Service Company
Oroville District Bill Comparison

2003 Rates

Usage		Present	Adopted	Increase	Percent
Ccf		Rates	Rates	Amount	Increase
0		\$ 16.32	\$ 16.32	\$ -	0.00%
5		\$ 22.02	\$ 21.47	\$ -0.55	-2.50%
10		\$ 27.72	\$ 26.62	\$ -1.10	-3.97%
16.1	Avg	\$ 34.67	\$ 32.91	\$ -1.76	-5.08%
20		\$ 39.12	\$ 36.93	\$ -2.19	-5.60%
25		\$ 44.82	\$ 42.08	\$ -2.74	-6.11%

2004 Rates

Usage		2003	2004	Increase	Percent
Ccf		Rates	Rates	Amount	Increase
0		\$ 16.32	\$ 16.35	\$ 0.03	0.18%
5		\$ 21.47	\$ 21.65	\$ 0.18	0.84%
10		\$ 26.62	\$ 26.96	\$ 0.34	1.28%
16.1	Avg	\$ 32.91	\$ 33.43	\$ 0.52	1.58%
20		\$ 36.93	\$ 37.57	\$ 0.64	1.73%
25		\$ 42.08	\$ 42.87	\$ 0.79	1.88%

* Metered comparison based on 5/8 x 3/4 inch service

Note: Rates do not include franchise fees or other surcharges that may appear on customers bills.

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California Water Service Company
Palos Verdes District Bill Comparison

2003 Rates				
Usage Ccf	Present Rates	Adopted Rates	Increase Amount	Percent Increase
0	\$ 8.31	\$ 9.50	\$ 1.19	14.32%
10	\$ 29.94	\$ 31.85	\$ 1.91	6.38%
20	\$ 51.56	\$ 54.20	\$ 2.64	5.12%
27.5 Avg	\$ 67.78	\$ 70.96	\$ 3.18	4.69%
35	\$ 84.00	\$ 87.72	\$ 3.72	4.43%
45	\$ 105.62	\$ 110.07	\$ 4.45	4.21%

2004 Rates				
Usage Ccf	2003 Rates	2004 Rates	Increase Amount	Percent Increase
0	\$ 9.50	\$ 9.60	\$ 0.10	1.05%
10	\$ 31.85	\$ 31.99	\$ 0.14	0.44%
20	\$ 54.20	\$ 54.38	\$ 0.18	0.33%
27.5 Avg	\$ 70.96	\$ 71.17	\$ 0.21	0.30%
35	\$ 87.72	\$ 87.96	\$ 0.24	0.27%
45	\$ 110.07	\$ 110.35	\$ 0.28	0.25%

* Metered comparison based on 5/8 x 3/4 inch service

Note: Rates do not include franchise fees or other surcharges that may appear on customers bills.
Present rates reflect the rates in effect before application of Advice Letter 1592-A, which
implemented an interim rate increase in this proceeding.

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California Water Service Company
Selma District Bill Comparison

2003 Rates				
Usage Ccf	Present Rates	Adopted Rates	Increase Amount	Percent Increase
0	\$ 10.09	\$ 10.12	\$ 0.03	0.30%
10	\$ 15.90	\$ 15.94	\$ 0.04	0.25%
20	\$ 21.71	\$ 21.76	\$ 0.05	0.23%
25.2 Avg	\$ 24.73	\$ 24.79	\$ 0.06	0.24%
30	\$ 27.52	\$ 27.58	\$ 0.06	0.22%
40	\$ 33.33	\$ 33.40	\$ 0.07	0.21%

2004 Rates				
Usage Ccf	2003 Rates	2004 Rates	Increase Amount	Percent Increase
0	\$ 10.12	\$ 10.13	\$ 0.01	0.10%
10	\$ 15.94	\$ 16.06	\$ 0.12	0.75%
20	\$ 21.76	\$ 22.00	\$ 0.24	1.10%
25.2 Avg	\$ 24.79	\$ 25.08	\$ 0.29	1.17%
30	\$ 27.58	\$ 27.93	\$ 0.35	1.27%
40	\$ 33.40	\$ 33.86	\$ 0.46	1.38%

* Metered comparison based on 5/8 x 3/4 inch service

Note: Rates do not include franchise fees or other surcharges that may appear on customers bills.

(END OF ATTACHMENT D)